

FAR EASTERN ECONOMIC REVIEW

Vol. VIII

Hongkong, April 13, 1950

No. 15

Commerce, Industry & Communications of Hongkong in 1949

ANNUAL REPORT OF THE HONGKONG GENERAL CHAMBER
OF COMMERCE

(I.) THE PORT

During 1949 permanent moorings in the port were brought up to a total of 17 "A" class and 29 "B" class, seven of the former being fitted for use during typhoon weather conditions. Work was started on the establishment of an additional Marine Department Signal Station on Green Island which is to be opened in January, 1950, thus making the coverage of the port complete. The new electric oscillator fog signal mentioned in the Annual Report of last year, was very nearly completed during 1949 and will be in operation early in 1950, and it is understood that the lighting and diaphone fog signal equipment for Waglan is in transit and will be established early in the new year.

Owing to the Nationalist blockade of South China, the number of trading junks entering the port dropped progressively from a total of over 1,600 in January to less than 400 in November, while at the end of November, there were 103 vessels of over 60 tons laid up in the waters of the Colony with apparently little prospect of recommission in the near future.

Port Congestion:—Since the middle of the year, the Chamber has had the question of accommodation in the public godowns in the port under more or less continual review. During July the godown interests advised the Port Executive Committee and all Freight Conferences and Bureaux that the situation was getting serious, and that they were holding very heavy stocks of paper, raw cotton, sulphate of ammonia and wooltops. Most of these cargoes were known to be originally destined for North China and on August 5th, the Chamber, at the request of the Port Executive Committee, sent a circular to all members advising them that Government might have to take steps to clear godowns of cargoes on which neither landing charges nor storage fees had been paid during a long period and which were considered "abandoned" or "dead" cargo. Members were advised to use the utmost discretion in ordering shipments forward to Hongkong, especially in those four categories mentioned above until such time as there might be freer movement of cargoes into China. At the same time members were advised that the Port Executive Committee had found it necessary to issue an order to the various conferences that no further cargoes of paper, cotton or wooltops should be accepted meanwhile, and that

cargoes of sulphate of ammonia should only be accepted provided an assurance was given by consignees that storage facilities in Hongkong had been arranged. The Chamber received immediately representations from various merchants interested in the import of the three prohibited commodities, and after discussion with the Port Executive Committee, it was agreed that the regulations might be relaxed somewhat, provided that an undertaking was given by consignees that goods would be accepted by them within seven days of discharge at Hongkong and that they had made independent arrangements for storage. The Chamber was requested to act as certifying authority for these certificates and after due consideration by the General Committee this duty was undertaken. The arrangements worked satisfactorily for some time and although it was not possible to relax the regulations, there was some easing of the storage situation. Indications at the end of the year, however, were that the situation in the new year might worsen considerably owing to large shipments being on the water or advised for early despatch.

Shipping:—After three years in which repair, conversion and new building had been pressed on with urgency and considerable courage, the ocean, short-sea and coastal companies, with a tradition of trade in these waters, were ready to give the shippers of 1949 service of adequate modern quality. We have become all too well accustomed to the intrusion of political factors in the business of transportation by water, but there can have been few years free of overt maritime warfare in which obstructions and disappointments have so plagued the industry by which, predominantly, the Colony lives. As the year opened the undeclared war between the People's and the Nationalist armies had just overtaken the first of China's great ports, Tientsin. It was Spring before the North China ports partially emerged from the shadow of war-created stagnation but by then Shanghai and the Yangtze Basin had passed under it, not yet to emerge. The eclipse of Foochow, Amoy and Swatow as open ports followed quickly, and waterborne trade with Canton came to an end in October. Some interruption of communications during, and for a short time after, transference of power was to be expected, but traders had no reason to foresee that the Nationalist

Naval and Air Forces would persist in hindering access of all commodities, peaceful as well as war-like, to the whole coast-line of China that had been lost to them but was within their reach from island bases. There has been no significant molestation of foreign shipping on the high seas, but Nationalist guard-ships within the Yangtze Estuary sealed off Shanghai with an effectiveness that increased rather than diminished throughout the autumn and winter. In December, laying of a number of mines in the main Yangtze entrance was reported. The threat of air attack from Taiwan bases has been the main deterrent to calls at Amoy and Swatow while, since the fall of Canton, the Pearl River entrance has, like that of the Yangtze, been blocked by Nationalist craft and damage has been done to the port's waterfront installations in attacks from the air. The risks of life and property now involved in attempting calls at China's ports from Shanghai southwards have proved too great for all but irregular ventures, usually by the smallest coasters. The distortions in the movement of Hongkong's trade enforced by China's circumstances have, of course, been enormous but, as in all years since the war, there is also the unevenness of the political and economic recovery of China's neighbours to add to the difference between the present and the pre-war pattern.

Coastwise Trade:—Tonnage was in modest demand to and from South Korea. Throughout the year there were occasional charter ventures to North Korea and Manchurian ports. It was, however, in the trade to and from Tientsin that interest naturally centred. The isolation of Shanghai and the disruption of railway traffic south of the Yangtze left Tientsin, in the latter part of the year, as the sole important port to feed the whole of the Northern and Central hinterland of China. Nationalist interference was unimportant and frequent regular service was offered by tonnage that at times rivalled pre-war volume and quality. Tsingtao has been open to trade, since it changed hands but was only just beginning at the end of the year to merit regular calls. Swatow-Hongkong trade was quite lively and well-served till Swatow changed hands, and useful carryings to and from Taiwan kept up throughout the year. Traffic between Hongkong and Malaya was reasonably good in the early part of the year but, as political conditions deteriorated, restrictions on the movement of men and commodities increased, and business latterly became decidedly slack. Rather more business was done with Siam and Indo-China than during 1948,

but trade with these two destinations remains but a shadow of its former self. The local charter market has remained remarkably firm considering the patchiness of demand and the arrival of several additional vessels seeking general employment in Far Eastern waters. About HK\$120,000 per month was the normal price for a well-found coaster with good passenger certificate.

Delta Shipping:—There has been a superabundance of vessels plying on the Canton and Macao services, and owners cannot have been prospering even before Canton was closed. Terrorism occasionally reared its ugly head. The benefits to be derived from the much-publicised deepening of Elliott Reach in the Pearl River remain to be reaped when orderly free trade is again possible.

Ocean Traffic:—It is to Hongkong's monopoly of security as a port and distributing centre that local ocean interests owe a comparatively good year. China's international trade has been a mere fraction of the potential, but Hongkong has increasingly monopolised it. Certainly considerably bigger tonnage for Europe has been loaded here than in 1948, and, if shipments to the Atlantic Coast were less, earnings to the Pacific Coast were probably moderately increased. Inward cargoes, particularly those from Europe, have been substantially greater than last year's. Hongkong's true role, of course, is that of China's entrepot. There has been a welcome improvement in the quality and quantity of trans-ocean passenger accommodation available, but demand for passages to the United Kingdom and Australia has continued in excess of supply, and applications have to be made many months in advance to secure berths despite the increasing facilities offered by the international airlines. Attention to agency services and ship's husbandry is an important part of the local shipping industry. Those concerned must have maintained a good level of business during 1949. One of the biggest worries of the post-war shipowner is the slow despatch of valuable vessels experienced in almost all parts of the world. It is satisfactory to be able to claim that work in our harbour has recovered its pre-war tempo; moreover, none of the stoppages that have plagued operation elsewhere was experienced here during the year. If only costs showed signs of decrease, the port's users would have few grounds for complaint.

Dockyards:—The two major dockyards, the Hongkong & Whampoa Dock Co., Ltd., and the Taikoo Dockyard & Engineering Company of Hongkong, Ltd., completed a large volume of repair work during the year 1949. This included reconstruction and reconversion work on a number of ships, and many ships had major repair work carried out in Hongkong. Six hundred ships were docked during the year, with a total gross tonnage of one and a half million. The two Dock companies repaired, at their premises or in Hongkong harbour, a total of seven and a quarter million gross tons of shipping. High costs and difficulty in obtaining steel prevented any large-scale ship-

building programme being undertaken, but a number of small craft were completed during the year, and work was commenced on one 400' passenger and cargo ship. Approximately ten thousand workmen were employed in the Dockyards throughout the year.

(II.) CIVIL AVIATION

The outstanding feature of civil aviation in the Colony during 1949 was that in spite of the decimation of the services operating from the Colony, which was brought about by the defection of the two principal Chinese airlines in November, it was still a record year for both passenger and freight handling at Hongkong's only airport. Passenger figures for August represented an all time record for one month with a total of over forty-one thousand moving through the airport. The withdrawal by the British Overseas Airways Corporation of the flying boat service from Hongkong in September means that almost all the Colony's air services are now land based. Fourteen different companies operate services from the Colony, six of these being British and the balance being American, French, Philippines, Siamese, Chinese and Norwegian. A small amount of work has been carried out on improving the airport at Kai Tak, principally in connection with repairs to runways but planning was completed for a large resurfacing project which will enable the field to accept aircraft up to an all up weight of 95,000 lbs. This project includes a new taxi track and hard standings which will make for easier operation and control of the port. The considerable reinforcements which joined the Royal Air Force in Hongkong early in the summer made control difficult, particularly during the busy months up to October, but in spite of control difficulties there was only one crash involving a commercial aircraft during the year and this occurred before the arrival of the additional military aircraft. For some years past the Chamber has urged upon Government the paramount importance of providing a modern airport to keep pace with the steady development in aircraft output. Events during the past few months have hastened consideration of the matter and the Committee was glad to learn that preliminary planning for the new airport was under way. Regarding legislation the only items of interest were the publication of the Air Transport (Licensing of Air Services) Regulations, 1949, on October 31st and the revision of the Colonial Air Navigation Order published on December 6th.

(III.) INSURANCE

The rapid advance of the Communist armies during the year which resulted in their virtual control of the whole of the Chinese mainland had an adverse effect on marine insurance in the Colony during 1949, and there was a less noticeable effect on fire business. Devaluation of sterling resulted in a temporary suspension of business with Japan, and the temporary prohibition of the export of Chinese manufactured piece-goods to South and East Africa. Offsetting these factors on the insur-

ance market has been the increase in imports and exports from the Colony due, in no small measure, to increasing industrial activity in Hongkong; and despite the Nationalist blockade, some trade with China has continued, although the method of transportation sometimes employed was not always altogether attractive to the insurance companies. During the year the combined marine surcharges were abolished as a separate charge and were incorporated in a modified form in standard marine rates. Claims for theft and breakage, due primarily to insufficient or bad packing, continued with little sign of improvement, although this did not apply to Hongkong where the improvement noted in 1948 was maintained. With the fall of Canton in October, all regular sailings to and from that city ceased, resulting in the river vessels concerned being laid up and a corresponding drop in insurance premia. No serious fires occurred during the year, although godown space was constantly filled to capacity, and old buildings which would in normal times have been pulled down and rebuilt were still in use. With the huge stocks of hazardous cargo such as cotton and chemicals which have been sitting in the port, there was always a potential danger of conflagration, and insurance members consider that it is greatly to the credit of the Fire Brigade that they have been so prompt and efficient in dealing with minor outbreaks, thus preventing a serious spread. Automobiles increased during 1949 by nearly three thousand private and public cars, and in addition to these an unspecified number of vehicles belonging to the Armed Forces must be reckoned with. Collisions are frequent, and whilst it is hoped that the continuing efforts of the Traffic Police will have the effect of reducing accidents, the often selfish outlook of drivers together with the present day construction of cars, and the overcrowding of roads and pavements, give little reason to expect a decline in accidents.

Life Insurance:—Members dealing with life insurance report another good year of business with well over twenty-five million dollars' worth of written new assurances during the year. An interesting trend in this type of business has been that although the European applicants for life insurance are in general accepting the modern inclination to take ordinary life, rather than endowment, policies, this cannot yet be said of the better-class Chinese policyholders who still seem to be more investment-minded than concerned with protection. In addition, it has been found that, generally, British applicants are following the Canadian and American trend of taking policies producing settled incomes over a stated number of years when protection is needed most, rather than lump-sum policies. Regarding annuities, it has been reported that there seems to be an increased demand for guaranteed annuities on single and joint lives in order to get the maximum possible abatement from income tax on retirement. This feature has possibly been due to the low interest rates still ruling.

(IV.) CROWN LEASES

It is a matter of regret to the Committee that it cannot report much progress in the various questions regarding Crown Leases which have been the subject of discussion between the Chamber and Government for so long. As the end of 1948 the Chamber addressed a letter to the Colonial Secretary regarding the special conditions now being included in the terms for granting new Crown Leases to lease holders who had held 75 year non-renewable leases. It was suggested to Government that it was inequitable to call upon a lessee to "deliver up at the end or earlier termination of such term" a specified number of buildings to a capital value of not less than a specified figure. It was suggested that it was quite within the bounds of possibility that a building which costs today a figure well in excess of any building covenant attached to the lease might, at the end of the term, be worth no more than a fraction of the sum specified, even though it had been maintained in good order and habitable condition. Other than an acknowledgment and an assurance that the matter was under consideration, no further information has been received from Government on this subject although a detailed reply to the Chamber's letter has been requested on more than one occasion. On February 23rd a statement was published in the Press giving the conditions for the grant of new leases in respect of running 75 year non-renewable leases. It was announced that applications for the grant of new Crown Leases would, save in exceptional circumstances, be considered only in cases where there was less than 20 years unexpired in respect of the original lease terms and that an effective surrender to the Crown of the existing term or interest must be executed, although the new Crown Lease was to be for a term of 75 years plus the unexpired portion of the original term. Regarding Premium it was announced that payment of a premium would be required based on the full value of the land (exclusive of the buildings thereon) and in a later part of the statement it was published that "usual leasehold Covenants and conditions would apply: In other respects the new leases to be granted upon the same terms and to be subject to and contain the same exceptions, reservations, covenants and conditions as are contained in the current leases or agreements for tenancy with such variations, additions or revisions appropriate to similar properties in the same locality."

After due consideration by the Chamber's special Sub-Committee, a letter was addressed to the Colonial Secretary on April 7th asking for an assurance that the "full value of the land" mentioned in the press release meant that premiums demanded would be based on the upset price, calculated by normal methods, of the land and not the last price obtained at an auction of another site in the same locality. It was also suggested that Government might be somewhat more specific regarding the "usual leasehold covenants and provisions"

which would apply. In a letter dated August 22nd the Chamber was informed that the premium for the grant of a new lease was based on the present market value of the land at the date of the application. This figure was not the upset price but was the figure decided upon by the Director of Public Works after he had reviewed the submissions of the Valuation and Resumption Officer on the present market value of the land. Government regretted that it could not be more explicit regarding covenants and provisions alleging that the terms were standard ones applicable to all lots sold and that these were well known to legal firms dealing with conveyancing.

The Committee considered the above reply to be most unsatisfactory and in a letter dated September 13th it was submitted to Government that the proposed method of calculating premia was most uncertain and that it depended too much on the personal views of the various responsible officers. The Chamber's contention that the only fair basis would be the upset value of the land at the time of the calculation was repeated. It was added that in respect of the covenants and provisions to be enforced, the Chamber would be grateful for an assurance that these would not exceed either in number or in scope, the normal covenants included at present in the printed forms of new 75 year renewable leases.

The Colonial Secretary replied at length to the Chamber's submission on December 7th and it was pointed out that as the Government statement referred to above concerned only 75 year non-renewable leases, lessees have no enforceable right to a new lease at all. It was added that by allowing the calculation of the premium for a new lease on the value of the land exclusive of the buildings thereon, Government was making a most valuable concession and the Chamber was informed that in agreeing to this concession the Secretary of State had insisted that the full economic value of the land should be obtained.

Government found itself unable to accept the Chamber's contention that the upset price should be the basis for premium and it was explained that these have frequently to be fixed in relation to undeveloped land in respect of which there had been no previous transaction, and which was often situated away from developed areas requiring uncertain expenditure on services and site formation. It was stated that the upset price was usually fixed somewhat below the estimated market value so as to encourage competition and the Chamber was reminded that the prices bid for land at public auction since the war are an indication of the extent to which upset price can be inaccurate as a reflection on market values. On the other hand Government contended that when grants of new Crown Leases in respect of 75 year non-renewable leases were being considered, the true market value could be accurately assessed. The land in question was always in a developed area where transactions between private individuals had taken

place and were continuing. Evidence of registered transactions, private valuation for estate duty etc., was readily available and Government considered that, having made a concession in excluding the value of buildings for the purpose of calculating premia, no further concessions could be considered. Regarding covenants and provisions to be inserted in new leases, Government saw no reason to limit itself in advance except in so far as it had already done so in the statement published on February 23rd.

At the end of the year the subject was still under consideration but it is probable that a further approach will be made and that a reply will once more be requested to the Chamber's letter of 30th December, 1948.

Hongkong Real Estate Values:—The development of Hongkong and Kowloon proceeded apace during 1949 but, nevertheless, the supply, particularly of residential property, has still not caught up with the demand. For the major part of the year, the Real Estate market was overshadowed by the fear of Government requisitioning on behalf of the Services. Not only did the public suffer from a fear that their properties might be taken over by the Government, but even up to the time of going to press, many of those companies and individuals whose new properties were requisitioned have received no rent, nor have they yet been informed as to how much they may expect to receive from Government. It is indeed unfortunate that Government were not able to announce the terms upon which they were prepared to rent requisitioned property at an earlier date. By their action, Government made it impossible for those considering development, to assess the full financial implications of requisitioning, with the result that many development schemes were abandoned.

Land values in general showed a marked decline compared with 1948, and whilst short term rents rose to even higher figures, the purchase price of land and buildings declined appreciably. This was partly due to a decrease in the cost of building but, to a great extent, it was due to the reluctance of Banks to grant mortgages on land and buildings except in very exceptional circumstances. This lack of credit facilities has undoubtedly reduced the amount of speculative building which would otherwise have occurred during 1949. The demand for godowns and small factory sites continued with the buyers of the former remaining unsatisfied, whereas buyers of the latter obtained their requirements at figures well below 1948 level.

At the close of 1949, there were sellers of all types of property. Prices being asked were well below the 1948 and early 1949 levels, but buyers were few and far between. The demand for flats of all types remains considerably in excess of supply but a marked resistance to the paying of the fantastic rates of construction money, to which Hongkong had become accustomed, was in evidence.

(V.) RELATIONS WITH THE DEPARTMENT OF SUPPLIES AND DISTRIBUTION

As in 1948 the Committee is able to report a year of close and generally happy liaison between the Chamber and the above Government Department. There have, of course, been some differences of opinion, particularly in regard to price controls, but in the majority of matters affecting trade in the Colony the Department has approached the Chamber and, after discussion, has been guided by the advice given. The Chamber has continued to prepare recommendations for the allocation of controlled foodstuffs such as butter, cheese, margarine, bacon, ham, etc., and these have invariably followed earlier precedent in being based on members' pre-war participation in the trade.

Sugar Trade:—Early in the year, the Department announced that it was proposed to pass the sugar trade back into commercial channels so far as distribution in Hongkong was concerned. At the request of the Director, a meeting of those members known to have been concerned in the trade before the war was convened on March 2nd, 1949, and the Chamber noted that purchases of sugar for the Colony's allocation would still be made in bulk by Government and the requirements of the Ginger Association would still be supplied direct. Subsequent to the meeting, the special committee of importers appointed to examine the question agreed among themselves the proportion of the trade which had been handled by each prior to the war, and recommendations, which were accepted, were made accordingly to the Department. There was, of course, no change in the matter of independent imports of sugar from abroad which were still permitted provided the goods were re-exported. The Committee understands that the above arrangements are working satisfactorily and are the best which can be made pending the freeing of this commodity from controls in the supplying areas.

Flour Trade:—Another example of where co-operation between the Chamber and the Department of Supplies & Distribution has proved a benefit to members was in connection with the flour trade during the year. In September the Chamber was advised that His Majesty's Government had accepted the International Wheat Agreement and that Hongkong was included in this acceptance. This involved procurement and shipment of the Colony's domestic requirements of wheat or flour being effected by the Ministry of Food, and the Colony had been notified that any imports of flour, other than that purchased by the Ministry of Food, was outside the Agreement and could be freely re-exported. Shortly after this announcement it came to the notice of the Chamber that several member firms had, in carrying on their normal re-export trade of flour, made technical infringements of the law, which had at that time specifically prohibited dealing in flour in the Colony. It had always been tacitly understood that merchants who imported flour for re-export would

ensure that the goods were in fact shipped out of the Colony, but on it being brought to the Chamber's attention that infringements of the regulations were being made, a meeting was arranged with the responsible Government Officer who asked for the Chamber's advice on how best the Colony's entrepot trade in flour could be encouraged without interference with the policy of the Ministry of Food in London. After further investigation the Committee was forced to the conclusion that it could not make recommendations on how the re-export of flour could be guaranteed other than by the continuance of present regulations and the matter stood thus at the end of the year.

Metals:—Members will recall that, in the 1949 Annual Report, it was noted that during that year many discussions had taken place with Government regarding the restrictions on the import and export of iron and steel products. All that time the main question under examination was the re-export to China of iron and steel brought to the Colony specifically for onward transmission into China but consigned to Hongkong to await granting of an import licence from the Chinese Government, and as a result of representations by the Chamber and the Hongkong Metal Merchants' Association, satisfactory arrangements were made during the year. Early in 1949 many merchants found themselves carrying exceptionally heavy stocks of iron and steel, particularly building steel, in the Colony. Once again the Chamber worked in co-operation with the Metal Merchants' Association and, in a letter dated June 8th, 1949, it was pointed out to Government that supplies of steel from soft currency areas were practically unlimited and that the local market was glutted. Due to increased world production there had been a considerable fall in prices and it was not improbable that re-exportation was, in fact, taking place by illegal means. It was felt that, in view of the circumstances prevailing at that time, the restrictions on re-exportation of metals were no longer necessary and might, if retained, prove detrimental to the trade of the Colony. The Director of Supplies & Distribution replied to the Chamber on June 16th 1949, indicating his willingness to consider any concrete proposals put up for amendment of the existing regulations. The matter was examined once more by the Import Sub-Committee and, after consultation with the Metal Merchants' Association, further representations were submitted to Government and it was suggested that a percentage of existing stocks and of future imports should be allowed for re-export as from that time. On August 11th, Government advised the Chamber that re-export would be permitted of mild steel round reinforcing bars, wire rods in coils, cobbles, galvanized steel pipes and fittings and steel windows and window sections. The limitations of these relaxations were that applications for export licences must be supported by import licences issued on or after April 1st, 1949, and that 40 per cent

of all imports covered by licences issued on or after that date would be allowed for re-export. On examination it was found that, although the proposed concession would save the market from becoming over-stocked in future, it would not go very far towards thinning down the heavy stocks held by merchants at that time. A further letter was therefore addressed to Government on September 21st, suggesting that the effective date should be put back to January 1st, 1949. This recommendation was accepted and has, it is believed, proved a considerable help to merchants interested in this trade.

Japanese Trade:—The Colony's trade with Japan has formed the basis of many discussions between the Chamber and the Supplies & Distribution Department. During April, the Director asked for the views of the Chamber on an offer by SCAP for considerable extra credits on the 2-way account for the purchase, from Japan, of woollen piecegoods, in consideration of which SCAP was prepared to take additional exports from the Colony. The combined Import and Export Sub-Committees of the Chamber discussed this matter in great detail and finally reached the conclusion, which was approved by the General Committee, that acceptance of the offer should not be recommended in view of the Colony's present and forward bookings of Japanese woollens bought in the normal manner on the 2-way account. These views were forwarded to the Department in a letter dated May 9th 1949, which was acknowledged two days later. The Director expressed surprise at the Chamber's recommendations, and gave his view that, over a fairly wide range, Japanese goods were not in direct competition with woollen piecegoods originating in England. He added, however, that SCAP had withdrawn the offer having realised that, while the proposal guaranteed Hongkong additional exports at possibly high prices, there was no guarantee and it was unlikely that Hongkong would purchase any substantial extra quantity of woollens other than those which would be purchased on the general open account.

Delays in Documents:—During May several members brought it to the notice of the Chamber that heavy delays were being experienced in the release of shipping documents, debit notes for freight and charges, etc., in respect of shipments from Japan. This also was taken up with the Department in a letter dated May 26th 1949, and in his reply, the Director explained that the delays were largely caused by the slowness of the Japanese banks in sending documents. The fact that Japan was so near to Hongkong meant that, unless the documents were cleared without delay, they could not arrive in the Colony by air before the ships carrying the goods. He had arranged for the release of goods on bank guarantees, leaving the rendering of final documents to be attended to at a later date. This had greatly increased the work of his Department since most shipments now had to be processed

twice, and as there had been an average of nearly 40 ships per month, the Chamber accepted his view that everything possible was being done in Hongkong to ensure rapid delivery of goods and his assurance that every effort would be made to speed up the processing of documents in Japan.

Devaluation:—The readjustment of the Sterling/U.S. Dollar exchange rates which was announced on September 19th, 1949, did not have a wide general effect on the Colony's trade. It did, however, have an extremely serious effect on the Japan trade. The Chamber understood that the Hongkong Government/SCAP open account was overdrawn at the time of devaluation and that as a result Government faced a considerable exchange loss. On October 7th, a letter was addressed to the Director of Supplies & Distribution suggesting that the Chamber might have an opportunity to make recommendations as to how the account might be balanced and Hongkong dollar exchange losses might be offset. A meeting of the General Committee, which was attended by the Director of the Department, the Hongkong Government Agent in Tokyo and Mr. W.M. Thomson, was arranged and it transpired that there was a deficit on the account and a potential exchange loss. Although Government had cancelled all import licences not fulfilled at the date of devaluation, the Legal Advisers to the Crown and the Banks had both given their opinion that outstanding imports should be admitted at the old rate of exchange. Exporters with outstanding contracts had been consulted and the indication was that shipments would be made at the old rate amounting to very nearly the full total of the deficit. Militating against such exports were various factors such as the physical difficulties of exporting goods from China at that time and rising prices in originating areas, and it had to be borne in mind that as Government only retained 60 per cent, of the exchange resulting from exports, the potential exchange loss was still considerable. The Chamber's recommendations made verbally at the meeting were as follows:—1. The most strenuous efforts should be made to induce exporters with outstanding contracts to ship at a lower rate of exchange. 2. A handling commission commensurate with what the trade will stand should be collected forthwith. 3. Any exchange losses unrecovered by the above recommendations should be offset against past profits. It is understood that Government has applied the measures suggested with considerable success and that, at the end of the year, both deficits were well on the way to being wiped out.

Indian Cotton Yarn Imports:—About the middle of the year, the Chamber received representations from several member firms and from the Hongkong Cotton Weaving Manufacturers' Association and the Chinese Textile Mills Association, requesting the intervention of the Chamber in respect of the terms governing the sale to manufacturers of cotton yarn on counts below 40. It was noted that although the

Government of India now permitted free export of low count yarns, the Hongkong regulations prohibited the importation of such yarn other than for direct re-export. The matter was first discussed unofficially with Government during early August but as, by September 27th, no action had been taken, a letter was addressed to the Honourable Colonial Secretary with which was forwarded a summary of the various prices ruling in the local market during the last few weeks, together with an estimate of the proportion of total costs of production borne by yarn in the weaving trade, from which it could be deduced that the ability to buy yarn in the cheapest market would help to reduce considerably Hongkong's export prices. It was pointed out that the existing regulations were heavy and must continue to have serious repercussions on the Colony's weaving and knitting industries, as Hongkong's prices were known to be high in world markets at that time. As no reply to the Chamber's representations had been received at the end of November, the matter was taken up with the Director of Supplies & Distribution during a call made on him by the Chamber's Liaison Committee on December 2nd. The whole subject was recapitulated for his benefit and it was understood that an early answer would be forthcoming; however, by the end of the year nothing further had transpired and the Chamber sent a further hastener to the Colonial Secretary. Very early in the New Year information was received from Government that the restrictions on imports of cotton yarn from India had been lifted.

Price Control:—The only subject on which it can be reported that the Chamber and the Department have had any wide differences of opinion is that of price control, the view of the Committee being, generally, that the range of items on which maximum selling prices are fixed is far too wide and it has been recommended to Government several times that the list should be curtailed considerably and only essential articles included on it. Although the Committee appreciated the reason for Government's application of a price freeze shortly after devaluation was announced, it was felt that the Price Control (General) Order published on September 24th, was much too sweeping in its provisions and that it left merchants in some doubts as to the basis on which they were to continue trading. Representations were made to the responsible Government Department and a meeting of the Import Sub-Committee with the Price Controller was held on September 30th in the Offices of the Chamber. The Price Controller explained to the Chamber that the Order had been promulgated because Government feared that the devaluation of Sterling might precipitate an inflationary spiral. The opportunity was taken to explain to the Government representative that the normal cycle of prices in Hongkong was for a commodity to be in short supply, its prices to rise, a large number of importers to

import it, and a recession of prices to set in. The Committee recommended to the Price Controller that the Order should be rescinded as early as possible, and that, as the price of all essential commodities was already controlled under existing regulations, no further additions should be made to the list of controlled items. It was also suggested that Government, in publishing cancellation of the Price Control (General) Order, might disseminate some propaganda for the information of the purchasing public and advise them of the commodities in which there had been, or were likely to be, justifiable rises in price. The price control of pharmaceuticals was the subject of some debate during October. The Chamber learned unofficially that Government had in mind a considerable reduction in the mark up allowed on imported pharmaceuticals, and it was suggested to them that before any regulations were published, the matter should be discussed with representatives of the various importers. A meeting was held on October 18th, with the Price Controller who announced that Government proposed to cut the maximum retail selling prices for gazetted pharmaceuticals from landed cost plus 3 per cent, plus 60 per cent, to landed cost plus 3 per cent, plus 33 1/3 per cent. The Chamber's representatives went into some detail in explaining how present selling prices were, in fact, arrived at and justified, but despite the advice that publication of revised controlled prices should be delayed pending consideration of detailed selling costs, the Chamber was advised on the same day that the revised prices would be brought into effect forthwith. The matter was discussed by the General Committee and, on October 25th, a letter was addressed to the Honourable Colonial Secretary, expressing the Chamber's view that such hasty and ill-considered action by Government was having a large and unnecessary disruptive effect on the pharmaceutical trade and that the upward revisions of prices which would have to be made in numerous cases, were bound to cause confusion and dissatisfaction to members of the general public. The Chamber considered that competition in the trade was keen and would serve as a much more satisfactory deterrent to profiteering than would artificial external controls. In conclusion, it was suggested that Government re-examine the whole question and that the matter be considered by the Price Control Advisory Board, whose functions seemed, for some reason which was not apparent to the Committee, to have been allowed to lapse. No reply has yet been received to the Chamber's representations in this matter, but it is understood that since that date many revisions have been made to maximum selling prices of these goods and, during discussions with the Director of Supplies & Distribution, the Liaison Committee learned, during December, that the matter of restoring the Price Control Advisory Board to its proper position, and even of strengthening it, was under active consideration.

(VI.) THE IMPORT TRADE

Imports of merchandise for the year were valued at HK\$2,750.2 millions, an increase of 32% as compared with 1948, and of 77% compared with 1947. The market was in general active throughout the year, but particularly so during the latter part, the months September to December having accounted for 40% of the imports for the year. Nearly 757 million dollars worth were imported from the Sterling area with 815 million dollars worth coming from the hard currency areas, and the balance from the rest of the world.

Principal groups by Customs classifications were as follows:—

	H.K.\$ millions 1948	1949
Total imports	2,077.5	2,750.2
Vegetable Oils	103.1	115
Chemicals and Pharmaceuticals	105	149.9
Yarns and Threads ..	128.5	114.9
Textile Fabrics	192.4	230.4
Heating and Power Products	118.9	156.7
Misc. crude products n.e.s.	58.3	127.7
Manufactured articles	107.1	147.1

The continued growth of Hongkong's import trade results largely from its geographical situation, its stability, its relative freedom from Governmental restrictions on the movement of goods, and the extent to which a free exchange market is permitted to operate. Whereas in the past, Hongkong was almost entirely dependent on its trade with China, it now acts as an important centre of supply for almost all Far Eastern markets. Conditions in China throughout the year have tended to a greater utilisation of Hongkong as a point of distribution, and the blockade, resulting in the almost complete cessation of direct liner sailings to China ports, has brought practically the whole of China's import requirements to Hongkong for subsequent transshipment. Correspondingly, the bulk of China's exports have become imports to Hongkong. China has in consequence again become Hongkong's principal trading partner, accounting for 30% of the total trade. The U.S.A. and the British Empire are the next largest suppliers, with some 16% each, and the United Kingdom fourth with 10%. Imports for re-export to Thailand and Korea, both north and south, have reached important figures. Much of the trade with North Korea has been for further transshipment to North China. Although imports from Japan remain small, they have increased steadily during the year. There are some who hold the opinion that the import side of Hongkong's trading has not been altogether healthy. There is much refugee capital in the Colony which is frequently employed in indiscriminate speculation. Changes in political conditions on the Mainland have resulted in wide fluctuations in the ease with which goods can be on-carried to destination. This has correspondingly caused alternate booms and depressions in the market for im-

ported goods as a whole, and has added greatly to the difficulties of those conducting the more conservative types of trade.

Chemicals and Pharmaceuticals:—The year has been characterised by a steady fall in c.i.f. prices as the world supply position improved. There are now relatively few basic commodities which are in short supply. The market in the early part of the year was relatively dull, but there was heavy buying from Central and North China areas in the autumn. As a result of the policy of the People's Government to exclude manufactured goods if local facilities for manufacture exist, there has been an increase in the volume of imports of raw and intermediate chemical and pharmaceutical products. The U.S.A. has been the principal supplier, with the United Kingdom next, and increasing its relative share of the trade.

Fertilisers:—Merchant importations have been relatively small, since a large proportion of South China's requirements for the Spring season were met out of E.C.A. supplies. The world supply position shows considerable improvement, and prices have fallen to well below 1948 levels. Principal suppliers have been the United Kingdom, Canada, Belgium and North Korea.

Aniline Dyes:—Imports amounted to some \$34 million as compared with \$49 million for 1948. The market was over-stocked during the first half of the year, but a strong demand developed from North China during the autumn. Re-exports were valued at HK\$42.3 million, showing a substantial excess over imports, and a corresponding reduction in Hongkong stocks. Principal suppliers were U.S.A., United Kingdom, Switzerland and France, with the U.S.A. supplying 39% (50% in 1948) and the United Kingdom 25% (20% in 1948). Germany figured as a substantial supplier for the first time since the war. The People's Government have prohibited the importation to China of Sulphur Black, normally one of the largest dyestuffs imported.

Metals:—In addition to building material 1949 saw a substantial revival of the import of Scrap and second hand material such as Plate Cuttings, Sheet Cuttings, C.R.C.A. Sheets, destined largely for China and it was possible to reship this material to China ports until late in the year. The position today latterly was that it was extremely difficult to get this material away, and consequently the godown situation became critical. It is, however, anticipated that if restrictions are eased in the near future there will be a ready demand for local stocks.

Piece-goods:—In pre-war years this was one of the most important sections of the Report and not only dealt with the relations between importers and piece-goods dealers but usually referred to active correspondence between this Chamber and the Chambers of Manchester and Bradford. During the thirties the pattern of the piece-goods market underwent a considerable change due to the ever increasing competition from Japan at the expense

of British suppliers, and the resumption of trade after the re-occupation found that the traditional wholesale market in Jervois Street and Wing On Street had virtually disappeared. By way of compensation there has been a considerable increase in the number of businesses combining retail shops with wholesale departments and during the past few years many big Shanghai piece-goods dealers have established themselves here. The past year has been one of mixed experiences in the market, profits being generally made on cheaper goods against losses on the more expensive items, with particular emphasis, in the latter respect, in the woollen piece-goods section. Comments are sub-divided as follows:—

Cottons:—On the whole, Importers have had a satisfactory year. Trade with the United Kingdom has been largely confined to plain fabrics—khaki and white drills, white and coloured cambrics and poplins. This has been assisted by the steady improvement in reciprocal sales of finished garments produced in local factories. Manchester piece-goods prices have, however, shown steady advances since devaluation. Fancy goods were purchased mainly from U.S.A. and Japan, though some losses were made in Japanese materials through over-buying. Up to the change of government in Canton, good business was done in 12 lb. Shanghai grey sheetings, but as supplies are now difficult to secure, business has been passed to India, and to local weavers.

Woolens:—As reported earlier, dealers had a good year on the cheaper range of materials, which found a ready market, not only for local garment factories and for retail sale, but also for re-export,—particularly to Korea and Taiwan. Finer goods, however, ranging from 20/- to 30/- per yard showed poor results, due mainly to restrictions in China business. Losses were incurred by the majority of dealers, and fairly heavy stocks are likely to be carried over until next season. Following the continued serious advances in the prices of raw wool, quotations from United Kingdom manufacturers (who still lead the field in the finer goods section) have shown comparable advances so that materials are available from stock here at prices substantially below those currently quoted in Britain for goods "to make." This trend encourages the hope that the present unsatisfactory position is only temporary.

Cotton Yarns:—All Counts:—The year 1949 was a good one from the merchants' point of view and official figures for 11 months (details for December are not yet out) show:—Imports from all countries 20,053,262 lbs. Value HK\$70,050,906. Exports (re-exports) to all countries 31,902,412 lbs. (inclusive of local manufacture) Value HK\$ 89,590,387. Imports were chiefly from the United Kingdom, North China and India in that order, and re-exports were mainly to Pakistan, Siam and South China. Compared to 1948, however, total trade was slightly less as the monthly average in pounds weight

for that year was 2,520,010 compared to 1949's average of 2,136,885. The average figure for 1947 was only 990,268 lbs. monthly. The latter part of the year showed heavy arrivals of Yarns with the result that merchants experienced some delay in clearances. This slowing up has continued into 1950. The position was also influenced somewhat by political events in China, but South China and Canton consumers managed to receive cargo with some difficulty. A further factor responsible for the slowing down of clearances in the latter months has been currency restrictions in such markets as the Philippines which import Hongkong Knitted and Woven Wear manufactured from these Yarns. The devaluation of the Pound in September and rising Egyptian and American Raw Cotton costs also exerted a detrimental influence on bookings from Great Britain, and the full effect thereof will probably not be evident before 1950. Suffice it to say that merchants have found it impossible to sell certain British Yarn counts since devaluation.

(VII.) THE EXPORT TRADE

Very few members will regret the circumstances in which a very large portion of the work already done by the Export Sub-Committee during the year under review was rendered unnecessary, as the Committee spent a great deal of time considering their recommendations for the allocation of export quotas to the United Kingdom and, just as the recommendations had been completed, H.M. Government abandoned the quota system in practically all commodities, the majority being placed on open general licence and it being announced that many others would still be subject to licence although these would be freely granted in future. This lifting of import restrictions in the United Kingdom has brought to local industry wide opportunities to exploit the publicity given to Hongkong products by their exhibition at the British Industries Fair during the last two years, and although it seems a pity that quotas should have been abandoned in respect of China produce just as this produce became extremely difficult to obtain, there is no doubt that many members will benefit as and when supplies become more readily obtainable.

(VIII.) CHINA PRODUCE

As a result of the Civil War in China, considerable quantities of China produce, instead of being exported through Northern ports, found their way to Hongkong, both from Nationalist held areas and from those occupied by the Communists. Consequently, during the majority of the year the Colony's export trade was extremely active. However, during the last few months of the year under review many sources of supply were closed because of: (a) the complete occupation of the mainland by Communist armies cutting the flow of goods from those districts previously under Nationalist control; (b) the blockading of the coast by Nationalist forces, cutting off sea communication between Hongkong and

Shanghai and other South China ports; (c) the failure as yet of the Communist administration in Canton to make it possible for normal trade between Hongkong and South China to be resumed.

Produce from North China was still reaching the Colony at the end of the year from Tientsin, but many of the raw materials formerly exported from Hongkong were in extremely short supply during the last few months, and there was no indication as to how long this situation is to prevail, although it was known to be the avowed intention of the Communist authorities to encourage exports of produce. Indications at the end of the year were that the export trade would probably be centralised in the hands of Government organisations, which policy, it will be remembered, was in part carried out by the previous administration with varying success.

Exports of Japanese goods via Hongkong moved steadily until the readjustment of the sterling with dollar exchange rates in September caused an interruption. Movement of goods from Japan was resumed later but on a much reduced scale owing to the necessity of balancing the Hongkong Government-SCAP Two Way Account. In general, it seemed at the end of the year that although prospects for exporters were not as bright as they had been in recent years, Hongkong should be able to maintain its position as an exporting centre largely owing to its excellent port facilities, its stable currency, and its secure administration.

Cassia:—Shipments of cassia continued in satisfactory volume throughout the year. Seventy-five per cent of that originating in Kwangsi went to India, while the United States of America took about fifteen per cent of it and Europe the balance. Practically the entire supply of Honan and Saigon cassia was shipped to America. Supplies at the end of the year were very scarce, and prices had risen to levels which, in the majority of cases, took them out of reach of foreign buyers.

Hides:—Buffalo and Cow Hides were both in strong demand throughout the year, the majority being shipped to Europe. Britain took about sixty per cent of the buffalo hides, the remainder going to Holland, Belgium, Italy and Turkey, with a small percentage to Japan. Small lots of cow hides were shipped to the U.S.A. and some to Japan, and the remainder was taken mainly by Holland, Belgium, Italy and Turkey. As in other items of China produce, shortage of supplies brought steadily rising prices throughout the year, and in this particular case, Hongkong tanneries were also keen buyers, frequently outbidding the local exporters.

Raw Silk:—The Canton raw silk industry continued producing low grades for local consumption only and costs of production were so high that parcels suitable for export could not compete in world markets with Japanese, Shanghai and Italian products. Fair quantities of this commodity from

Shanghai and Szechuan reached Hongkong and were re-exported to France, India and Indochina, with small lots also finding their way into local weaving mills. There was some re-export of Japanese goods, but this trade ceased on the devaluation of sterling, combined with the restrictions imposed on the financing of the Japanese product when re-exported abroad. Although further arrivals of Shanghai raw silk are expected as soon as shipping opportunities become available, it is anticipated that the Szechuan trade will revert to its normal export market in Shanghai.

Waste Silk:—A strong demand persisted throughout the year for waste silk of all descriptions, and here again the demand cannot be entirely satisfied owing to shortage of supplies. Most popular types were from Canton, although in this product, deteriorating quality was causing complaints at the end of the year. Other sources of supply included Korea and Szechuan, and the main buyers were France, Italy and Switzerland, with only small lots going to America.

Mats and Mattings:—With the placing of China straw mats on the open general licence in the United Kingdom, merchants in the trade have great hopes for a resumption of pre-war volume. Conditions in South China towards the end of the year made trading difficult and it is felt that costs must be reduced greatly in order that these goods may compete with the cheap floor coverings which have been imported to the United Kingdom from India since 1940. During the first half of 1949 a fair volume of business was done with Australia, America and Holland, but conditions of supply left a lot of contracts unfilled. It is extremely doubtful if this trade can regain its former prosperity until there is an improvement in China's domestic affairs, stabilisation of currency and a resumption of regular river and rail traffic.

Canes and Rattans:—Unlike previous years, 1949 proved a very difficult one for merchants engaged in the Tsinglee Canes trade. The long journey from Kwangtung and Kwangsi to Hongkong was made extremely hazardous by guerillas and civil war until finally supplies fell off altogether. Stocks in warehouses in Hongkong were offered overseas but buyers were apathetic in the face of high prices for little or no selection of second quality merchandise. Reliable sources estimate that 1949 exports were about thirty per cent of the previous year's volume, and unfortunately no improvement can be expected until trading conditions in South China change and regular transportation facilities are resumed. Business in Rattans from Malaya and Java has shown a very great improvement during the year and large quantities of finished rattans and articles such as baskets and furniture manufactured from rattan have been re-exported to the United States of America. Japan also has been in the market for Whole Rattans and a fair amount has been moving to U.K. and Europe. This industry might

be expected to show still further advances in the coming year providing labour costs do not preclude overseas exports.

Vegetable Oils:—Exports of vegetable oils to the United Kingdom showed a steady increase in value during the second half of the year, this appreciation in price being brought about largely by shortage of supplies. The majority of exports over-all went to the United Kingdom, although those of wood oil were about equally divided between the United Kingdom, European Continent and the United States of America.

Rapeseed Oil:—The rapeseed oil market has been slow throughout the year and total exports show a fall as compared with 1948. Prices ranged between £140.0.0. and £160.0.0. per ton although towards the end of the year they had declined to about £104.0.0. and local offers could not meet competition with European supply which was sold in London at less than £100.0.0. per ton.

Teaseed Oil:—Exporters of teaseed oil to the United Kingdom had a good year and the Colony's shipments of this commodity were estimated at about 20,000 tons, almost all of which went to Britain. Wide fluctuations in price were recorded. In January the market was equivalent to about £190.0.0. per ton, but the demand subsidised owing to licence holders in the United Kingdom having used up their quotas, and, by the middle of April, the price had fallen as low as £118.0.0. From April onwards imports into the United Kingdom could be made under open licence and a much rapidly firmer market developed in Hongkong. Values advanced rapidly to £230.0.0. during May and there were subsequent fluctuations ranging between £174.0.0. and £240.0.0., the closing price for the year being about £200.0.0. Owing to the high price of this oil compared with other edible oils, exporters experienced considerable trouble over adulteration and unless ways and means can be found to stop the deliberate admixture of cheaper oils, it seems likely that this flourishing trade will be seriously affected and that the demand will decline to small proportions, particularly if supplies of olive oil from the Mediterranean become more readily available on United Kingdom markets.

Wood Oil:—Regular monthly supplies in increasing quantities passed through the Colony from South China until November/December when the change over in Government in Canton held up, temporarily, transportation facilities by steamer and rail. Towards the end of the year supplies were again coming forward by rail and certain shipments were arriving from Shanghai and Tientsin. Exports were mainly to the United Kingdom and Europe and to the United States of America with sundry shipments to Australia, Malaya, Java and India and it is es-

timated that about 30,000 tons moved through the Colony during the year. In the early part of the year prices were fairly steady around £150.0.0. but the market weakened and gradually came down to as low as £120.0.0. during April. From May onwards there was a steady recovery to £190.0.0. with fluctuations to £217.0.0. in August, and as high as £240.0.0. by November, the latter price being the result of the political situation, lack of stocks and the temporary shutting off of fresh supplies. Corresponding variations in price occurred in the United States, fluctuations from seventeen cents to twenty-six cents per lb. being registered. It is noteworthy that wood oil is being increasingly produced in the United States and that sizable quantities are now being exported from Brazil and the Argentine. Another competitor was seen to be rising in Africa, and Nyasaland, which is the only area in that Continent where wood oil can be successfully produced on a commercial basis, reported exports of between one and two thousand tons.

(IX.) LOCAL INDUSTRY

Rubber Canvas Footwear:—Shipments of Canvas Shoes amounting to £416,000, being the quota for the year under review, were made to the United Kingdom, and all factory costings which were despatched covering these shipments were approved. The quota for winter footwear, that is rubber boots of various types, to the value of £320,000 was announced later in the year, and shipments to this value were made on the understanding that factory costings would require to be approved by H.M. Customs before entry of the goods into the United Kingdom under Imperial Preference. All factory costings were accepted, although there was some slight delay in one or two cases before approval was obtained. The announcement that rubber footwear had been placed on the open general licence in the United Kingdom during October, did not result in any substantial increase in business as might have been expected, due mainly to continued high cost of the Hongkong manufactured article. However, as the Report goes to press information has been received that approximately 3,000,000 pairs of canvas shoes have been manufactured for shipment in the early part of 1950, and this represents an increase of approximately 20 per cent in quantity over the two previous years operated under quota regulations. It had been anticipated that towards the end of the year H.M. Customs would agree to dispense with the necessity of production of factory costings, and would revert to the pre-war practice of certification. However, information was received that further costings would be required in view of the probable lowering of the Empire content in materials manufactured in the United Kingdom and consumed by the local rubber factories due to the devaluation of sterling and the consequent increased proportion of the cost of raw cotton in United Kingdom manufactured canvas. Indications are that the net effect of devaluation will

be a very slight lowering of the Empire content in locally manufactured footwear, and it is anticipated that H.M. Customs will agree to revert to their pre-war acceptance of certification after examination of the next lot of factory costings under preparation at the end of the year. Business resulting from local orders did not represent a very large proportion of the trade, but most factories benefited from orders from China estimated to be in the region of 2,000,000 pairs of canvas shoes, and more business of this nature is expected.

Knitted and Woven Textiles:—1949 saw a considerable expansion both in the number of factories producing cotton piece-goods and knitwear and in the quantity of goods produced by existing factories. During the first eleven months of the year, sixteen and a half million dollars' worth of locally manufactured cotton piece-goods were exported, the majority going to Malaya, which took, in all, one-third of the Colony's total exports of textiles. The export of made-up knitwear articles such as singlets, shirts, shorts, etc., for the first eleven months of the year amounted to over 6,000,000 dollars, but with the lifting in October of the United Kingdom quota restrictions many enquiries were received and large orders placed, although shipment only started towards the end of the year. As in so many other types of trade the question of Imperial Preference has proved very important and United Kingdom buyers have insisted that goods should qualify for admission at Preferential rates. Manufacturers have been somewhat diffident of guaranteeing that their goods would qualify until such time as costings had actually been accepted by H.M. Customs in London, and the consequent rush of work on the various Accountants making up costings has resulted in some delays. These difficulties are now being overcome and the prospects for future trade with the United Kingdom, particularly in knitwear, appear to be very favourable. The effects of devaluation are now beginning to be felt in this trade as buyers in the West Indies and British Guiana were known to be making enquiries for Hongkong made articles owing to the increase in costs from America. Members will recall that before the Pacific War trade with these areas was considerable and lucrative. Orders for local and other similar markets were received steadily throughout the year, and factories began to find that their output was being completely absorbed and they were having to quote delivery dates for several months ahead. Exporters considered this to be a very healthy sign and the industry as a whole seems to have a bright future providing that quality and out-turn are not sacrificed in order to increase the quantity of goods produced.

Torch Bulbs:—Locally manufactured torch bulbs have for many years been exported in fair volume, principally to India, the Near East and South America, but the keen competition which ensued often had a regrettable effect of forcing manufacturers to lower their standards of quality in order to meet the price-limit. However, the notification of a quota for import into the United Kingdom during 1949, and the later announcement that these goods had been placed on open general licence, brought a great potential expansion of business and it can be said that the industry has now entered a new phase. Demand in the United Kingdom is for a bulb of better quality and finish than that normally made in Hongkong for other markets, and manufacturers have realised that the necessity to offer guarantees of lightability on arrival and of duration of light while in use, has made it imperative that an improvement of general manufacturing standards should be attained. The normal manufacturing process in Hongkong has, up to the present time, been largely manual and has been responsible for the disproportionately large share of the total cost of the finished product which is absorbed by direct wages, even allowing for present high costs of labour. With improvement in methods of production resulting in the reduction of manufacturing costs, the industry may be expected to meet any competition from other sources of supply, and it is felt that local manufacturers are realising rapidly that they will have strong competition to meet in the near future, which will not permit the offer of sub-standard articles. At the end of the year the total monthly output of the industry was not more than a thousand cases, although some improvement in this may be expected shortly and, while products of the normal types could be classified as fair in quality, attempts to make other bulbs requiring more specialised technique, could not yet claim to have been entirely successful.

Ginger:—Hongkong's ginger preserving industry reports another satisfactory year's business. Total sales amounted to well over ten and a half million dollars, of which shipments to the United Kingdom, totalling nearly 4,500 tons, were valued at more than nine million. Exports to the United States of America and Canada totalled over nine hundred thousand dollars and there was a very welcome increase in this trade after the Toronto Exhibition at which locally preserved ginger was shown. Ceiling prices fixed by the Ministry of Food for 1949 and local prices remained unchanged. However, it is understood that the increased quantities appearing on the United Kingdom market before Christmas, as a result of the removal of import restrictions, were responsible for big cuts in the London retail prices, thus bringing the delicacy more within reach of the normal householder in Britain. The trade intends to launch a sales campaign in America when

they have ample supplies of raw ginger in hand, but unfortunately collection during 1949 fell far short of what had been hoped and, although local factories managed to obtain ample stocks to fulfil their commitments to the United Kingdom, there was not much left for exploitation of new markets. Due to exchange restrictions, exports to Continental markets were not possible during the year but, during December, negotiations were completed for the resumption of shipments to Germany and Holland early in the New Year. Holland was one of the Colony's bigger customers in the ginger trade prior to the War and it is hoped that as supplies become available this market will develop again to its former proportion.

Firecrackers:—During August, the intervention of the Chamber was requested by several members with a view to stopping a series of prosecutions for contravention of Government Notification No. 79 of 1933, which in fact prohibited the possession anywhere in Hongkong of firecrackers containing a chlorate. Members pointed out that specific provision had been made by a Government Notification in April, 1940, for the handling of Chinese firecrackers containing a chlorate. This matter was investigated by the Export Sub-Committee of the Chamber and as a result of their recommendations, a letter was addressed to the Colonial Secretary on August 31st pointing out the above and suggesting that merchants had had good grounds for pursuing this trade in the belief that it did not contravene the law. In addition, it was explained that for the trade with the United States of America, firecrackers other than those containing chlorate were not acceptable to buyers, and finally it was pointed out that during the three-and-a-half years prior to July, 1949, the trade in this commodity had amounted to over twenty-six million dollars and Government was requested to give urgent consideration to the consolidation and clarification of the various regulations affecting it. Meanwhile, a group of local importers, exporters and dealers in firecrackers had prepared and submitted to the Governor in Council a petition much along the lines of the Chamber's representations but going into considerably more detail. A copy of this was provided to the Chamber and was examined at a meeting of the Export Sub-Committee on September 12th. Members of the Sub-Committee considered that the petition covered the majority of points in regard to the trade, although there were a few minor points with which they did not agree. As result of this meeting a further letter was addressed to the Colonial Secretary on September 16th conveying an offer to Government of the services of the Chamber with any

advice which might be required on the customs of the trade, and other purely commercial aspects of the problem. In addition, it was requested that the Chamber might have an opportunity to examine, in draft, any new regulations prior to their being published. Government thanked the Chamber for its offer to assist, but did not take it up and in a letter dated October 25th, the Colonial Secretary advised that the dealers' petition had been considered and rejected by the Governor in Council. It was explained to the Chamber that the 1940 Regulations under the Dangerous Goods Ordinance could neither be said to have superseded the 1933 Regulations referred to above, nor had they been in abeyance. It was added that Government had no objection to firecrackers, whether or not they contained a chlorate, being directly transhipped, provided that they were packed according to the instructions given in the Dangerous Goods Regulations of 1940.

Cement:—The Green Island Cement Co., Ltd., which operates the Colony's only cement factory continued in full production during the year and increased its output of cement to 58,236 tons, representing an increase over the previous year of 5,718 tons. The majority of the output was sold locally, but small shipments were made to places as far afield as Okinawa and Ocean and Nauru Islands. Prices of the Company's principal raw materials have fallen considerably during the year and the whole benefit of this has been passed on to the consumer in the form of an average reduction in price over the year of \$23.00 per ton. The Company is still manufacturing at only 50% of its capacity, pending the arrival and installation of the new plant ordered to replace that removed during the Japanese occupation.

Rope Manufacture:—During the year the output of Manila Hemp Rope increased over that of 1948, as did local deliveries, a part of which is believed to have been shipped to Northern ports. Direct exports to other Eastern markets also improved, though the unsettled political situation prevailing in a number of those countries, together with Import and Exchange restrictions, interfered with demand. Bales of Manila Hemp were again about half those of pre-war years, and with the world shortage of hard fibre the market was firm with prices at a high level. Devaluation increased the price in terms of Hongkong Dollars and there were signs of local costs rising from the same cause.

Light Metal Industries:—At the end of the year there were six factories in Hongkong manufacturing vacuum flasks, mainly for export abroad, the chief markets being the Philippines, Australia, India, Malaya, Siam, Java and the Middle East in the order named. With the shutting out of Shanghai as a supplier, local manufacturers were able to do better than in

ECONOMIC NEWS FROM THE UNITED STATES

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(Special to Far Eastern Economic Review)

1948 both as regards volume and value of business and for the first nine months of the year all factories were fully occupied. Whilst it is difficult to obtain accurate figures, there were approximately six hundred workers employed in this industry and production amounted to some 450 cases per month, selling at an average price of HK\$450 per case. Although business slackened off somewhat during the last few months of the year, trading was generally considered to have been satisfactory. Although United Kingdom buyers were interested in Hongkong's products in this line, the local vacuum flask could only compete in United Kingdom markets when the goods were admissible under Imperial Preference rates and as it has not yet been possible for manufacturers to obtain their supplies of black plate and of tin plate from Empire sources, the British market has not yet been tapped. It is understood that there are possibilities of supplies of British raw materials becoming available during 1950 and it is hoped that this will have a generally beneficial result on the industry.

Manufacture of enamelware in Hongkong was substantially increased during the year, with many new factories opening up and a considerable volume of business being done. The main business was done with East and South Africa, India and South East Asia, but once again the impossibility of obtaining black plate wasters, one of the principal raw materials, from the United Kingdom precluded the possibility of locally manufactured enamelware qualifying for Imperial Preference and, therefore, although a demand existed in the United Kingdom it could not be met. Some of the Colony's dozen odd factories are now producing Antimony free enamelware for export to parts of the world where this qualification is a condition for obtaining an Import Permit. The industry employs a total of approximately 1,700 workers and combined with general improvement in the standard of workmanship, there has been a considerable increase in monthly production, some 4,000 cases at about HK\$350 per case being the average. As in the case of vacuum flasks, the first part of the year was a busier period but although business slackened during the last three months all factories were able to keep in production and the year's trading was generally considered to be good.

Approximately 30 Hongkong factories were engaged in the production of tin and brass torch cases, with a total of approximately 4,500 workers employed. It is estimated that the volume of business during 1949 amounted to around HK\$20 million, of which the great majority was shipped to India although large orders were received from Africa, which was the next buyer of importance, and there were quite a few shipments to the United Kingdom since it had been possible to obtain limited supplies of brass strip from Empire sources, thus enabling the goods to qualify for Imperial Preference.

Business Conditions in U.S.A.

Notwithstanding prophecies to the contrary, business in this country continues robust and satisfactory, divulging no weak spots of consequence. Symptoms for the continued prosperity—or shall we call its causes?—are found in a combination of these items: (1) The steel industry has sufficient orders to make it work at about 97% capacity. (2) The auto industry is extremely busy, in spite of the continued shut-down of Chrysler, and works on near-record levels. (3) Building activity is growing and now stands about 30% above what it was in the spring of 1949. (4) Television, though admittedly a minor industry, is booming as never before. The heavy demand for new sets shows that there is buying power, even for semi-luxuries, amongst the nation. (5) Personal income statistics represent a new high, so that it can be expected that retail trade will show larger turnovers. (6) Corporation profits, and consequent dividend yields, are being maintained at remarkably high levels. (7) As a consequence many large investment trusts, as well as numerous insurance companies and educational institutions, found it expedient to enter the equities market and add in a large way to existing portfolios.

Naturally, not everything, or everybody, is bedded on roses. Cotton and rayon materials are not doing well, since demand does not come up to expectations. While gainful employment is as good (or better) than one year ago, the number of unemployed at this time is 4,700,000, or one million people above what it was a year ago. Another derogatory factor is to be found in the strike weapon which is being ruthlessly used. Not only is the Chrysler strike still unsettled, but at the end of May new bargaining is due at General Motors Corporation. In order to gain time, both parties have already now commenced negotiations, but there is no possibility to determine whether these will be fruitful enough to obviate the outbreak of strikes at G.M. The Union chief, Walter Reuther's, case will be strengthened in the coming negotiations with G.M., considering the 1949 record earnings attained by the latter, combined with its recent wage cut under the cost-of-living agreement which the corporation has with its employees.

Another unfavorable factor is to be seen in exports from the U.S.A. which are lowest since 1946. This is due to dollar shortages on the part of foreign countries, but also to increasing competition by the latter. A still further harmful factor can be found in the mounting farm crop surpluses.

Searching for further reasons why common stocks now are in such heavy demand, one will find that many States

have passed legislation to allow use of stocks for trust investment. A law is now pending in New York to permit trustees the placing up to 35% of funds in shares. College endowment funds and large charitable trusts have also been enlarging their equity purchases. Mutual investment funds are stock buyers to the extent of \$1-1½ million every business day. A recent survey shows that the money to the extent of 80% is coming out of accumulated savings, rather than from liquidation of other stocks and bonds. A further big potential demand for stocks is seen in the recent wave of workers pension plan agreements. Upward of 2 billion dollars a year will be added to investible savings of this country through available pension funds. Speaking generally, stocks will now yield twice as much as bonds,—always provided that world peace can be maintained.

Dow Jones Averages.

While the 3 averages (shares, rails, utilities) published daily in connection with transactions recorded in the New York Stock Exchange are significant and useful, they are by no means conclusive. As will be demonstrated, many shares quoted in the 1946 averages (i.e. when the New York market was practically on average levels as at present) are now considerably lower and, in some instances higher, than in 1946. This proves that it is misleading to judge in terms of market averages. Of the 30 stocks, on which the Dow Jones averages are based daily, 15 are now 10% or more below the 1946 highs.

Before proceeding further let us record here what the industrial and rail averages during the past 50 years were. Mention ought to be made of the change in basing daily averages; this happened in 1914.

	Industrial	Rails
Lowest ..	41.2 in 1932	13.2 in 1932
Highest ..	381.2 in 1929	190.5 in 1929

Some close observers argue that it would be better to have no market averages at all, for then operators would take the trouble to investigate the merits of those concerns in the career of which he is interested. Stock averages, they maintain, are misleading inasmuch as they fail to reveal the numerous wide movements of industrial groups and individual share issues. After all, from the thousands of different issues quoted in New York, only 30 are considered as representing the total, a figure which is but a small fraction of the total.

To illustrate what the foregoing remarks involve some comparative quotations of stocks are cited here as they were highest in 1946 and as they stand now, i.e. on April 1, 1950:

	Price High 1946	Apr. 1, 1950	Change in %
American Smelting ..	61½	50¾	-18
American Tobacco ...	99½	70¼	-30
Dupont	56¼	67¾	-18½
Goodyear	77	51	-33.8
Internat. Harvester ..	34	26¼	-21.3
Loew's Nickel	42¾	25¼	-39.5
National Distillers ..	41	16	-59.6
National Steel	32¾	23¼	-28.5
Proctor & Gamble ...	92¼	109½	-18.6
United Aircraft	47½	57¾	-20
Woolworth	37½	26¾	-28.3
	62½	50¼	-19.6

These are but few examples of actual divergencies; but they ought to prove convincing.

While on the subject of New York stocks it might be appropriate to refer to the record 'short' position of stocks registered there. Such a large position might signify expected collapses. But upon closer investigation it will be discovered that a little less than 20% of the 2,200,000 shares oversold really come from 'bears'. The large balance is connected with tax juggling and refers to manipulations in connection with taxes on stock exchange profits, both those realized within a 6 months period, and those within a space of longer than 6 months. Not being conversant with such subterfuges, I do not know the technicalities, a statement which I make ungrudgingly.

Television.

It was generally feared that T.V. sets would sound the death knell to radios. However, this is not the case. According to reports from Washington, Americans bought in 1949 14,504,000 radio and television sets. This boosts the total in use to 88,964,000, or a fraction over half a set per person in this country.

In recording such detailed statistical truths, how do the authority know how many of formerly purchased sets still are in use today? How many were discarded, or are out of repair and use? How many perished in conflagrations? Yet, statistics supposedly cannot deceive. It was recently proved, for example, by official statistics that locomotives are not afraid of automobiles. A statement which indeed cannot be contradicted.

The above figures were released by the National Association of Broadcasters and the Radio Manufacturers Association. Their joint survey gave this breakdown: Home radios sold in 1949, 7,956,000, bringing the total to 70,436,000; automobile radios 3,964,000, for a total of 14,764,000; television sets 2,594,000, with a total of 3,764,000 at the close of 1949.

In the share market T.V. shares still are the largest performers. Toward the end of March RCA stock made a spurt, quotations rising within three days by more than 3 points, closing on April 1 at 18.7/8. The sudden rise is due to a new invention of a tube which facilitates colored vision. Turnover in a single day's session of 40-50,000 shares of RCA was recorded.

Many other T.V. shares are booming. Zenith Radio, for instance, has doubled in price during the last three months. So far Zenith has not yet completed full data for 1949. However, figures for the first 9 months were published by the directors. Sales during the first 9 months of the business year (the third quarter ended January 31) totalled \$65,200,000. No estimates as to earnings for the business year is available as yet. However, earnings for the 9 months ending January 31 aggregated \$6.37 a share net. The company plans to start its trial of phonevision, or "pay-as-you-see" television in Chicago on September 1. If the experiment is successful, Zenith would license other makers of T. V. sets to manufacture the phonevision device at a fee of 50 cents each.

Another large concern in the field is Philco Radio Corp. Its net profit for 1949 was \$5,692,000, or \$3.17 a common share. This really is a heavy falling-off from 1948, when profits reached \$10,532,000, or \$6.32 a share. Net sales during 1949 were \$214,884,000 versus \$275,424,000 in the preceding period.

The President of the concern points out that sales during the first quarter of 1950 were excellent and will constitute a record in the company's history. The company's television set output approximates now 800,000 a year. During 1949 a plant expansion program, costing \$4,000,000, principally for the manufacture of television sets, was completed and paid for partly out of the year's earnings and out of retained earnings of previous years. The company's financial situation at the close of 1949 is stronger than at any time of its existence. The ratio of current assets to current liabilities of 2.29 to 1 compared with 1.79 to 1 a year ago.

The Hydrogen Bomb Again.

The wide interest manifested universally in connection with the H-Bomb makes it permissible to return to this important, yet controversial subject. Recently I was privileged to listen to a lecture before about a thousand members of the representative "Town Hall", delivered by one of the most competent men on that topic. The speaker, Dr. Robert F. Bacher, professor of Caltech, is currently credited with having assembled the first A-Bomb; he is considered one of America's foremost scientific expert in that particular field.

Always provided that the dreaded H-Bomb could successfully be constructed, Dr. Bacher expressed the opinion that it might prove a boomerang, because it might aid Russia (who could make it too in due time) more than the United States. The speaker objected to the tendency to scare American citizens to death, for this will not improve their judgment. Dr. Bacher went so far as to assert that, pumped full of hysteria from Red scares, the average person is easily convinced that the hydrogen bomb will protect him. The most tragic part, however, is that the H-Bomb will not save the people and is not even a good

addition to America's military potential. If, as some experts estimate, the United States owns already 1,000 A-Bombs of the improved uranium-plutonium type, there is no reason for building hydrogen bombs. If the A-Bombs could, in case of war, be delivered to military objectives at all, they would go a long way at the rate of 10 for major metropolitan areas and two for important cities. In such a case the U.S. military authorities might have a hard task what to do with the last hundred bombs.

True, hydrogen bombs would be tenfold more effective. However its radius of destruction often would be wasting energy, for it would also destroy uninhabited districts and stretches covered by water; this means no advantage would be obtained from such destruction. Instead of spending huge sums on the development of the H-Bomb Dr. Bacher urged that the nation spend the money for submarine defenses, guided missiles and other weapons. At the moment no effective defense exists for hunting down the improved Schnorkel-type of submarine boats, invented by the Germans but adopted by the Russians, who are building large quantities of such underwater craft. Such boats could effectively prevent America from delivering war material and food to Europe in case of a war.

The speaker admitted that he could not judge whether the Russians, after having been able to construct the H-Bomb, have an appreciable chance of delivering it against an American radar defense. But even if such a defense should be reasonably effective, there still is another method of delivery which might prove quite effective for them.

Many of the large metropolitan areas in the United States are located on the sea coast. In these harbors an H-Bomb might easily be brought in the hold of a tramp steamer, or in a small unmanned craft. On the other hand, there are practically no Russian cities which could be reached, using a similar method of delivery by America. If it is possible at all, the Russians, given adequate time, are likely to construct the hydrogen bomb, especially because their secret service appears to very helpful in obtaining detailed information on such subjects.

In summarizing the speaker expressed the opinion that the H-Bomb will not greatly add to the military potential of the United States, though it would supplement Russia's military effectiveness. Viewed from this standpoint, there remains but little reason to attach so much significance to the hydrogen bomb.

By chance, at about the same time the Assistant Secretary of Navy, John F. Floberg, spoke at Alameda and singled out defense against submarines as the No. 1 Navy project. He emphasized that the entire navy, both technical and operational, is busily engaged to learn the way how to defeat warfare by submarine.

Hongkong-China Trade Obstacles

While Hongkong residents have been celebrating the Easter holidays and the Chinese Spring Festival in their individual ways, the outline of events in China appears on the surface, to have taken on a more sombre hue, not only in regard to trade but also from an all round point of view. It may be that this gloomy appearance is the usual aftermath of a holiday or that the abnormally cold and dull weather has affected the general atmosphere, but nevertheless the fact remains that a feeling of despondency exists, particularly in certain trading quarters which are suffering under a sense of frustration at the controls exerted by the Chinese Communist Government.

The drop in value of the US dollar has caused a certain amount of conjecture, the most popular explanation being that it is the inevitable result of a lessened demand for consumer goods, the greater part of which were American, on the part of China. This would not of course apply to raw materials, much of which are also imported from the United States; but the unhappy plight of the Shanghai industries which are unable to function freely as a result of lack of electricity following the bombing of the Shanghai Power plant, is a sufficient explanation of the reduced demand for raw materials from that once thriving and industrious city. Of late the commodity markets of the Colony have given an almost unrelieved picture of something approaching stagnation; the slightest sign of interest on the part of buyers from North China, in particular, is sufficient to stir up a flutter of excitement.

From time to time reports come through that all is not easy going for the Communists. When they made their rapid walk across China, a remarkable feat in itself of transferring so large an army from north to south of this vast territory within a year, and only made possible by reason of the persistent withdrawal of the Kuomintang without putting up any serious opposition,—it was foreseen that to build up a new political structure with practically untrained personnel would be sufficient to tax their energy and resources to the full. This is now presumably becoming evident and is most noticeable, perhaps not unnaturally, in South China where constant complaints are made as to the inefficiency and red tape that distinguish government trading in that part of the country. As a result the Southern Trading Corporation in Canton which has hitherto handled all import export transactions under the new regime is being closed down and its functions and staff have been transferred to the Kwangtung Provincial Trading Dept. which will act in its stead. Whether there is much ground for optimism in the change over remains to be seen, but if nothing more were accomplished than to clear the off-

referred to bottleneck which exists on the railway between Hongkong and Canton and further north, that at least would be an achievement. Part of the congestion in the Hongkong warehouses is caused by this bottleneck, which has prevented the free movement of goods that have been purchased by the People's Govt. and of which they are presumably in need. To all appearance, the warehouses in Canton are equally overflowing, with goods arriving from all over China as well as from Hongkong and Macao, but to straighten out the traffic problem in itself calls for a technical skill and organising ability that would test most authorities, let alone a government that in addition to coping with this problem is bent on altering the complete way of living of a people known throughout history as being most tenacious of their old customs and more than usually reluctant to change their methods.

Nevertheless it would not be fair to the new regime if the whole story were summed up in the phrase "untrained personnel". They have been fortunate in that the Chinese people as a whole were unhappy under the previous regime and were willing to assist the new government to the best of their ability in the hope that something better would eventuate. Consequently the Communists have been able to utilise a certain number of qualified persons who were willing to assist in the new movement. With the best will in the world, however, although it was never very certain that even the most obliging cared to have their various enterprises taken over by the State, no organisation could have coped adequately with the constant hindrances thrown in its way by the blockade by sea and air exerted by the KMT upon the major ports of China. The Communists up to now have entirely lacked an air force,—and the residents of Hongkong remember all too well what that means when they recall their utter lack of protection while the Japanese attacked the Colony with their bombers. There is talk that the Russian mentors of the People's Govt. are furnishing them with planes and training an airforce to use them, but meanwhile the KMT has almost undisputed sway in the air, sufficiently so to render attempts to get foreign trade going on any large scale almost impossible. One would think that the last thing a government would contemplate when faced with such difficulties would be to overturn an existing system and substitute for it a new way of thought.

It is difficult to conceive of trade being carried on successfully under such handicaps, and yet the miracle has happened. All last year and up to the present the trade figures have been excellent and the result has been achieved in the face of transport hindrances, blockade, and political and economic upheavals. At the present moment it would appear that the blockade is being tightened in view of an assault by the Chinese

Communists upon various strategic islands off Shanghai in the possession of the KMT; this is to be expected however, as the anticipated invasion of Taiwan becomes more imminent. This may also explain the failure of the authorities to grant permission to the s.s. "General Gordon" to go to Shanghai for the purpose of bringing away such residents as wished to leave; and why the s.s. "Anking" with passengers on board waiting to rejoin their families in Shanghai is also not yet granted permission to proceed to that city on the same errand. These and other difficulties may present themselves as the situation intensifies, but undoubtedly such setbacks can only prove temporary and are due more to the hazards of civil war rather than to any political objection to the normal flow of trade.

Management and Improvement of Living Conditions

All will agree that a constant improvement in man's standard of living is desirable and that better management can make a valuable contribution to that end, but it is quite a different matter when we attempt to define a measure for a standard of living. In one country the standard aimed at may be viewed in terms relative to what the inhabitants already have and to the directions in which their own national aspirations lie. These may, for example, be purely material in nature—more and better houses, more motor cars, more radios, more refrigerators and more of the numerous domestic labour-saving devices; or they may lie in the cultural field—better education, better facilities for the use of leisure time and so on. In another country the material aspirations may be quite different, both in character and volume, but we can be sure that the economic objectives of the citizens of both countries will have one common characteristic—the desire for constant betterment.

People of all countries want something which will seem an improvement over what they already have and all are likely to want something better for their children than they themselves had. The lower the scale of present living, the smaller and more material one's ambitions are apt to be. Many men will not venture to wish for an automobile or an electric refrigerator, but most men will have a vital interest in earning enough from their labour to buy clothing and food, and they will increasingly insist that some reasonable part of the return from a day's work be available for items of living that are not merely bare essentials, and they will despair of a society and its management which do not promise them some betterment in this respect.

In all progressive countries of the world today there is a noticeable emphasis upon raising the living standards of people at work because it is realized

that better building design and improved plant lay-out increase human convenience; better material-handling techniques lessen physical effort; and more precise planning and control eliminate unproductive idleness and loss of continuity. This improvement of working conditions is very closely bound up with social betterment and the raising of standards of living, because an improved environment and production technique in industry means for mental health and safety no less than for physical security. Much more, however, remains to be done to improve conditions in such fields as equity of wage relationships, a closer adjustment of human abilities to job requirements, and the like.

The great growth in the field of personnel management has had a most salutary effect upon working and living standards, inasmuch as its concern is with the "total working situation". It is being increasingly realized that management can make an invaluable contribution towards the raising of standards of living because the conditions existing at a worker's place of employment constitute the environment of the greater part of his waking hours. No longer are the responsibilities of management measured by their purely technical and scientific achievements, but are now viewed against the wider background of their social and human contributions. This widening of an organization's horizons from the technical to the social has resulted in the greater attention today of what we call human relations in industry.

Since human effort may be said generally to be the component of four influences, namely, the hope of reward, the fear of penalty, the assurance of promise and the inspiration of an ideal, good management will serve to implement all of these in the attainment of ever higher standards of living.

(From the official Journal of the Union of South Africa's Dept. of Commerce & Industry)

The Situation in Shanghai

There has been no change for the better in recent weeks and the growing poverty remains unchecked. The naval blockade cannot be broken as long as the Taiwan fortress, with a number of islands between the mainland and the KMT ruled island, controls the China coast. Thus foreign trade is compelled to carry on via the northern and southern railroads which means that as far as non-Shanghai production is concerned there is hardly any trade any more. Earning power of a population which was previously for some 75% dependent on the activities of commerce is diminishing and although cost of living, in terms of foreign exchange, is very cheap and prices (in US\$) are even dropping there is very little buying power; the retail trade is stagnant and hotels, restaurants and all amusements show ever declining earnings which fact has caused the closure of many enterprises and shops.

Air raids continue though not with the fury of earlier months in this year. But the threat of air raids alone is sufficient to make citizens despair of any improvement of their lot. Anti-aircraft guns and combat aircraft have recently increased in the Shanghai area and some confidence of the population in the strength of the govt has returned. It is everywhere realised that without Russian help or even active support the war in the air would cause eventually collapse in Shanghai but with extended Russian assistance this possibility may be obviated. The four airfields of Shanghai (Kiangwan, Dazang, Lungghwa, Hungjao) are under joint Russo-Chinese control and so are the anti-aircraft batteries and emplacements.

More Russian military advisers have arrived during March and some 5000 persons have taken over houses in the Hungjao district as well as in the vicinity of airfields; the numbers of newly arrived Russians is steadily increasing not only in the suburbs of Shanghai (where their presence is connected with the conduct of the war) but also in the city itself (where municipal govt and state-owned enterprises, mainly factories, require assistants and advisors). Those partisans who wish to see an end of the civil war welcome the arrival of Soviet advisors and co-workers but the largely inarticulate public is resentful of their presence. Russians, in Shanghai, were never appreciated and although the new arrivals are of an entirely different category the general feeling is not friendly; however, under political propaganda and the exigencies of the civil war the popular antipathy may slowly fade. The worship of the Russians will nevertheless not become a popular cult in Shanghai.

With uncompromising tax levies and very forceful 'allocations' of payment to the 'victory bonds' the money market has been tightened to such an extent that inflationary price advances are only slowly proceeding. Bank notes are poured out in large volume but earnings are quickly taxed away so that no serious threat to the price stability is encountered. This system of taxation without mercy and imposition of loan 'allocations' is strongly resented but the authorities are strong enough to enforce their decision on anybody and resistance is out of the question. Substance is continually reduced while earnings of the employed people are too small to create new savings; Shanghai is on the way towards bankruptcy and general impoverishment.

The greatest curse of the present time is the still expanding unemployment which drives many people into the country where they also do not know how to make a living. More refugees from misery have come to Hongkong but no longer do these new arrivals carry funds with them and therefore their appearance in the Colony is causing real anxiety among Government and the residents of Hongkong. Semi-destitutes from Shanghai are now out to find jobs in Hong-

kong with little prospects of succeeding and the indigenous jobseekers as well as the more welcome Cantonese immigrants are finding their livelihood threatened. The fact that so many people run away from Shanghai bears out their general contention that life in that city has become economically intolerable.

The Shanghai city govt knows well how serious is the situation; the stagnation in trade and the partial suspension of manufacturing, the standstill in the ocean transport business and the threats of more disruptions by KMT airforce raids, these are facts which cannot be gotten away from; and the mayor of Shanghai (Chen Yi) frankly admits that there is nothing to be done about them either. The mayor's policy is considered to be, under limitations imposed on him, liberal and in the interest of the general public but that is no consolation to the masses who do suffer and although their disciplined conduct is a credit to their unions and also to the communist party, as the guiding factor of the unions and the labor federation, the murmur from below is very audible these days.

It is significant that sentiment in recent weeks has once again favored 'peace talks' and the termination of the war. The prospects of the previously so despised KMT are getting brighter and Chiang Kai-shek is no longer abused but has again attained a position in the public esteem which is comparable to the one he held in 1948 before the 'gold yuan' financial reform. Chiang's return to full power and his valiant conduct from Formosa has heightened his prestige; the former idol of the Chinese has won back some of the 'face' which was lost in the civil war years of 1947-49. KMT air assaults are not everywhere resented; they arouse in many a feeling of jubilation as they seem to prove the renewed vigor of the forces under Chiang's personal command. Such a change of public sentiment is a matter which causes unrest among the highest councils in Peking foreshadowing as it does the unstable character of the support of the 'broad masses'. The political propaganda with its reiterations is not helping matters either; on the contrary, the bogey of American imperialism is quite unreal in Shanghai while the possibility of Russian domination is before everybody's eyes. But above all, the Chinese people are extremely war-weary and exhausted and cry for an end of the civil war plague. This revived spirit of compromise in the war is regarded as something like sabotage and fifth columnists' work by the communists but there is no denying the fact that the present stage of national attrition will, in due course, produce more emphatic cries for an end of the terror.

The plan of resistance which Chiang Kai-shek, it is presumed, is harboring seems now slowly to bear fruit; Taiwan stands and no early attack on that island is even promised by so-called inspired press agents in Peking. But while the blockade and the KMT air

superiority lasts, the natural calamities and guerilla actions inside the country multiply, economic insecurity increases and the Peking govt is compelled to resort to very unpopular methods of keeping the ship of state afloat, the Chinese people become more restless and deeply resentful of any authority which they blame for the almost unbearable pressure to which they are exposed. The Peking govt is secure in the north but south of the Yangtze the situation has, during recent months, changed very profoundly. Opposition is now increasing and it is increasing at remarkable speed. Shanghai is very unreliable if the present deterioration cannot be reversed, and reversed soon. It might be that Chiang Kai-shek will be able to call himself a 'liberator' — a situation quite unthinkable only 3 months ago.

One speculates in Shanghai on the chances of Formosa to withstand an attack if such an attack at all materialises this year. There seems to be some secret understanding between Taiwan and SCAP in Japan though officially the US govt has denied it and the last statement on record, as to the position of the US in the disposal of Taiwan after a Japanese peace treaty, coming from President Truman, was in favor of Chinese (KMT and CCP) claims and against the separatist interests of the Formosan emancipationists. Aid by the US for Taiwan is small and certainly insufficient to keep the KMT in the war; but this situation may change and more potent war material support may be forthcoming in spite of the dangers involved, viz. the subsequent support given by the USSR to the Peking govt. The international character of the civil war in China is fully understood and the possibility of its flaring into a third world war is regularly discussed. Indeed, the end of the civil war in China may never come as long as the 'cold war' lasts. During this period of 'cold war' internationally and 'hot war' in China the position of Shanghai will further suffer and the population will remain a serious headache to the communist authorities.

It is now almost a year that Shanghai 'changed hands' and in this period the once great metropolis of Far Eastern trade has suffered great harm. No doubt, if peace was to return, either by a conquest of Taiwan or by a compromise between KMT and CCP (an almost unthinkable alternative, it is admitted), the city might again ascend and take its place as China's principal manufacturing and trading centre. But the crux of the confounded situation is that there is war and that nobody can foretell an early end of this war. The communist system of government and production and distribution of goods is possibly not unsuitable for the Chinese people and, given a period of peace and internal stability, the general standard of living should improve, with conspicuous speed. The Russian example is inspiring and can always be held out to those who doubt the eventual success of the communists in China. But China is today part of the

Soviet Russian front and has to serve as another link in the chain which is forged in Moscow for the 'liberation' of all mankind — which may mean Russian hegemony in the world or, if one takes a more generous though less realistic view, Russian assistance to all nations to achieve the establishment of communist states, eventually all to merge in one super state with one communist govt.

In spite of all the defeatism and silent anti-communist feelings in Shanghai there is a confident nucleus, mostly composed of youths, who hold that no other but a communist society will bring prosperity to China and that siding with Russia is therefore necessary — a necessary evil, it might appear, but no other political road is open to the Chinese. Anyway, discussion on the future of China is developing in Shanghai and new interest is displayed in the clashing ideologies of 'free democracy' and 'dictatorial communism'; in most instances the advocates of 'free democracy' are gaining and this is being observed not only in so-called better class circles but also among organised labour. Although the CCP maintains parades, self-criticism clubs, reading and study circles, and indoctrination courses on a very wide scale, the mind of the people has not been conquered. If the obvious failure of 'red' propaganda is pointed out to party workers they admit it but contend that they had had little time to make the people change their ideas; besides the economic hardships, the strength of Taiwan, the hardboiled thinking of the Shanghaiander and his 'compradore' traditions, militated against the progress of party workers.

The so-called hardboiled thinking in Shanghai has also affected many of the higher-ups in the Shanghai govt and CCP chapter and some minor purges have had to be conducted. Even the mayor, Chen Yi, and some of his close aides have come under suspicion and their removal was demanded in Peking. A compromise was eventually found by keeping Chen Yi in his post, sending some of his staunchest supporters away where they cannot do much mischief, and depriving the mayor of any influence in the local garrison; at the same time the army in the East China area was given more powers to interfere in policy matters of the Shanghai municipal govt. The eventual resignation of Chen Yi is expected when a suitable successor has been found. The mercantile community has found in the mayor a very tolerant man who has listened to the advice and complaints of business men; but he seems to have listened too much and has thus incurred the wrath of the party stalwarts who know of no compromise. The situation in Shanghai, in this respect, resembles similar developments in other leading cities of China where the obstinate CCP group (always receiving blessing and encouragement from Liu Shao-chi in Peking) alienates the feelings or former support of the local populace.

The Situation in Chungshan

Chungshan, Dr Sun Yat-sen's birth place, is now experiencing, like most of Kwangtung, a period of economic deterioration which has depressed living conditions in that 'orchard' of China to such an extent that the new authorities are faced with unconcealed hostility. The island district is small with but one large town, Shekki (the district's administration centre), and a few smaller towns of inconsequential importance. The people make a living from farming, with rice as the main crop and fruits and vegetables the best paying crops. Trade moves through Macao on junks and other water craft (along the many channels and arms of the West River) and along the motor highway.

Shekki is, now as before, a clean and orderly town, the seat of the district administration and, at present, the commander of the People's Liberation army in Chungshan (which command also includes a few neighbouring districts) whose troops are, as a result of the assembly of all forces under Gen. Lin Piao's command for the invasion of Hainan, now at a low ebb barely sufficient to impress the pirates and highway robbers. Martial law prevails in the district which has been explained as necessary on account of air raids staged by KMT planes over parts of Chungshan while, in fact, civic insecurity has increased to an alarming degree for which both the outlaws and guerillas are responsible. The govt does not feel reassured about the loyalty of the population and martial law helps to act as a deterrent on those who plan to intimidate the new authority.

In the KMT days there was also insecurity prevalent but since the 'change over', at the end of October last year, the situation in this respect has worsened. The curse of river piracy and highway brigandage remains with the people and regular tributes are exacted from the population, high and low. The brigands seem now to be even better armed than before the 'change over', obviously having obtained, at a price or just by 'taking over' former soldiers with their weapons and ammunition, valuable additions to their already formidable arsenal. As long as they are not challenged by the govt and traders, shippers etc. pay their allotted share no fear need be entertained and life is quite well regulated. There is, one may say, some sort of collusion between the common people and the brigands who obtain their rice and fish and what else goes to make a good meal in Chungshan from the farmers and traders without having to work for it.

What is a guerilla and what a bandit is hard to distinguish in this picturesque district; before the communists came the KMT administration was confronted with large bands of guerillas supposedly 'red' partisans, but when the 'reds' moved in the guerillas remained with their arms and while some were incorporated into the regular Liberation army the majority remained independent and eventually

were described as outlaws by the new govt in Shekhi. But the present as well as the former district govt has not sufficient troops and weapons to mop up the law breakers who continue to dominate certain parts of the hilly district and only seem often to organise skirmishes among themselves. Some guerilla leaders, for more personal than patriotic reasons, claim to receive orders from Hainan and promise the people — against gifts in money and food — an early liberation from the oppression of the present govt. The real danger to trade are however the river pirates who levy fixed amounts on water traffic; a large number of native shipping firms (usually owned by one man or a small partnership) pay quietly so as to avoid interference with their ships engaged on otherwise lawful occasions. The hope that the new govt would clean up what the old KMT magistrates and army commanders were unable to do has by now faded entirely. It even appears to old timers that the number of river pirates has grown and that insecurity in the district, off the main roads, has notably increased.

Individual merchants find little cause to be satisfied with the changed life under the new masters; the govt is, as elsewhere in the realm, taking over the trade in a variety of native produce and thus deprives merchants to continue making money. This is a grievous fault and grievously will the usurers have to answer. The public is against official interference, they do not mind graft and squeeze but they do resent the uprooting of whole occupations. As yet the middleman and the trader, in a way parasites but on the other hand necessary unless the whole construction of town and village life is to be altered, are not thrown out but their days, they know it, are numbered. So the opposition to the new regime obtains more than welcome support from this class.

Smuggling is another profession which is being assailed by the new govt and here again a large number of people, with their teeming families, are threatened. To bring goods into the country and send them out without going through the formalities — and bureaucratic red tape as well as official squeeze — is not regarded as unethical by the average Chinese and therefore he has no understanding for the reproachful term 'smuggling' which ill-informed foreigners use to refer to 'officially unrecorded trading'. It is true, in former days the KMT authorities tried to reduce the volume of illicit cargo transportation but they never succeeded as they both respected the will of the people and derived substantial revenue from overlooking smuggling; in fact, the former regime was realistic enough to make a deal with merchants asking for little thus gaining something rather than putting their foot down — which would have been to no avail anyway as officialdom was thoroughly corrupt. Now the 'new broom' wants to sweep in monopolies of the state and sweep out smuggling. That policy cannot lead to popularity

of the new regime. In local transport there has been much deterioration. The repairs to the (for Chinese road conditions) good Macao-Shekki highway have been neglected and future repairs though promised will probably not materialise. The former managers of the highway were the owners of the Macao-Shekki bus line, a private enterprise controlled by the managing director (an English educated Cantonese residing with his entourage in Macao), but recently they were compelled to transfer rights of operation to the govt of the district and whether any consideration was paid has not been disclosed. The highway is essential to Chungshan's connections with Macao especially now when KMT blockade and pirates' activities along the Pearl and West rivers and practically all navigable channels and inland waterways have impeded waterborne traffic.

The district is suffering from periodic floods and the people, fatalistically, take it without much of an effort to bring the seasonal and often calamitous floods under control. There are also the usual agricultural pests — tax collectors are here excluded. Farm implements, fertiliser of an improved type, seeds, loans at bearable interest — these are the main problems of the farmers but in Chungshan the problem of water conservancy is of vital importance. So far the new authorities have not done anything to ease the lot of the peasants, though this is their avowed policy and is being publicised ad nauseam.

The passivity of the authorities since they moved in and the state of deterioration as evidenced by increasing poverty are powerful political anti-toxins; communist propaganda has therefore, and also for other reasons, not scored any successes. The usual stuff served in Canton dailies and other Chinese newspapers and publications with the excessive adulation of the Russians and vehement accusations of the imperialists meets with much amazement on the part of the country population. They never had much faith in the excellence of the new govt, they hold, as so many of the life experienced farmers, that any govt while professing love of the tillers of the soil nevertheless always taxes away the fruits of their toil and leaves them as poor and helpless as before. In the beginning the farmers said that the new regime should be expected to be better than the old one and they were fed up with the KMT but after a few months of dispensation of the new political medicine they do not hold that opinion any more. On the contrary there is much open grumbling and hard words are thrown around which the authorities cannot fail to hear. No repressive measures have been introduced in Chungshan though under martial law the military can take any steps they wish to suppress 'sedition'. In neighbouring districts similar dissatisfaction is evident and when merchants travel they bring back stories which go to prove that all south and south-western Kwangtung is seething with discontent.

The most objectionable measure which the new authorities introduced, and with thoroughness never seen before in Chinese history, is tax collection in kind to the extent of 20% of total crops. This tax goes to the central treasury while the local revenue collectors also take some rice wherever something is left. Landlords are also entitled to collect their percentage which is usually 50% but now is to be reduced to 37½%. In many instances farmers refuse to pay and no legal action has been taken to dispossess a tenant farmer from the land which he tills, and landlords prefer to go slow and take what they can get. Absentee landlords collect through their local trustees and agents but they no longer obtain their portion in advance, that is before the harvest.

Money circulates in many forms, the outlawed HK\$ is still the generally preferred popular tender though transactions are not openly conducted; the Macao pataca is also highly appreciated but by comparison with the HK\$ this money has only a small circulation. The People's Bank yuan is legal tender but its constant depreciation in terms of HK\$ has made people anxious lest they are caught with too much of that scrip. Gold and silver are things which country folks hold dear and as long as the monetary situation remains so critical in China as observed during the past years there will not be any change in this matter. Most farmers who have still a few possessions will keep them in gold, silver and HK\$. The prestige of the HK currency remains high and this is even acknowledged by the govt who wisely refrain from enforcing too severely the HK\$ ban.

The Russians in China

Since the signing of the Soviet-Chinese Treaty on Feb. 14 the number of Russian military, technical and other officially appointed personnel has greatly increased in China. A more active part by the USSR in the future of China is generally admitted in Peking and objections by the general public are ignored. In order to make the people understand the importance of Russian assistance not only in the present phase of civil war but also in future when China is to embark on her ambitious scheme of industrialising the nation a very extensive propaganda work is currently undertaken in which the govt has enlisted the support of all the many communist organisations now set up or being set up in the country.

In the course of this propaganda many blunders have been committed which were caused by exuberance but possibly also by saboteurs; the glorification of the Russians has gone to fantastic extremes which has damaged the reputation both of Peking and Moscow. The pro-Soviet publicity is full of love songs and adulations and has met, in large parts of China's town and country life, with silence and even open hostility. The tone of the propaganda has increasingly become un-

natural and is now defeating its initial objective.

The People's govt of China has to rely ever more on the support of Russia and thus loses its free will; but this is not at all deplored by the dominant clique of the CCP which is led by Li Li-san and Liu Shao-chi as it is held by these Moscow trained communists that anything which benefits the USSR will, in due course, turn out to the benefit of the so-called broad masses in the world, and therefore no heed is given to the more 'Chinese' communist faction (which has been identified with Mao Tse-tung) who plead that the so-called international course cannot be followed in China, the Chinese people being fundamentally opposed to it, and that a compromise has to be found, such compromise being however dangerously near the Titoist line and cannot, therefore, be expected to be tolerated by the supreme CCP council. The political situation of Peking is such as to make a deviation from the Moscow line impossible unless the civil war is brought to an end by other than forceful means. If Moscow exercises more restraint and permits Peking to steer a more Chinese than Russian course in the realisation of the proletarian revolution in China, then, and only then, will the quite obvious rift inside the CCP be smoothed over and the inter-party revolution delayed — a final showdown between the two dominant factions cannot be avoided but, this is the hope of the old party stalwarts of both sections, while the civil war is still on and shows no sign of abatement the inter-party peace may be kept.

The govt in Peking is however unaware of the real intentions of Moscow; and for that matter nobody knows what is the policy of the Bolsheviks and how strong is the war potential of the USSR. So far all indications go to prove that the USSR is uncompromising in China and does not approve the slow process of revolution, from 'new democratic' economy to fullfledged socialism. With the weakness of the CCP and its Liberation army, and the strong hold of Russia on Manchuria and the subservient pro-Soviet group (previously headquartered in Mukden but now brazenly holding forth in Peking) there is nothing else to be done but to accept Russian advice and carry on in the Russian way. Hardfisted methods however make the Chinese people more restive and dissatisfaction is mounting everywhere; these signs of a changing popular temper are so far ignored in Peking though more precautions, of the suppressive type, are being contemplated. The Soviet timetable of either meeting a so-called preventive war or to force the 'imperialist bloc' to take action which must eventually lead to the anticipated outbreak of world war III with all atomic and bacteriological horrors is unknown anywhere but in the highest council of the Bolsheviks. China, or for that matter any country, are pawns in the great gamble; and Peking knows it but this situation is explained by pointing out to the 'historic truth that world revolution must be led by the state which has first, and

successfully, achieved communism and which is therefore responsible for leading the proletariat of the world to the victory over capitalism and bourgeois democracy. Sacrifices will have to be borne by the Russians as well as by all other peoples but this cannot be helped; it is Marxist-Leninist fate, expounded by Stalin, the living representative of the communist trinity. As Peking has elected to regard world developments in a 'scientific' manner the future course of mankind's history — or destruction — is believed to be predetermined and China has got to play her role as assigned by Moscow; sentimental and humanitarian considerations being 'unscientific' can and must be disregarded.

The assistance which Russia has rendered in the recent past has been very important indeed; from the time of Japan's surrender, when the Kwantung army's equipment together with large numbers of Japanese and Korean officers, experts and technicians were handed over to the People's Liberation army, to the surreptitious military advice and war material supplies of the time prior to the establishment of the Central Chinese People's Republic (on Oct. 1, 1949), the CCP could maintain themselves only by virtue of this assistance though the internal collapse of the KMT has vitally aided the CCP in their victory march over the whole of China. But without the initial Russian assistance in 1945 and confronted by the active support which the KMT received then from the US the civil war would never have endangered the rule of Nanking. Russian assistance has however assumed very large proportions after the recognition of Peking by Moscow (on Oct. 2) and especially after the signing of the Treaty between the two countries on Feb. 14. Still, there is much secrecy about the type of assistance and while it is understandable that military affairs must be treated as state secrets the public wonders why so little publicity is given to the factual works of assistance, the official propaganda being usually satisfied with generalising and praising the Russians, exhorting the Chinese to love the Russians and to learn from this great, invincible people.

Many organisations are now working day and night to achieve more Sino-Russian cooperation and to promote admiration of the Russians by all Chinese. At the same time the assistance and generosity of the Russians are praised and, in general terms, are wonderfully described and hopes are expressed that China will become sovietised in a much shorter time than was earlier forecast (by the timid 'new democracy' school headed by Mao himself).

The Sino-Soviet Friendship Association is the most important organisation in this connection. Liu Shao-chi is its chairman and most of the pro-Russian and Russian educated CCP leaders are members of the board; secretary-general is Chien Chun-jui (concurrently vice-minister of education), deputy secretary-general is Emi Siao (Siao San) (concurrently director of the govt's bureau of cultural relations).

Total membership of the Association by the end of January 1950 was 2 million of which number almost 1 million were Manchurian (Northeastern) citizens; over 350,000 were North Chinese (with Peking's membership at 175,000). Indeed, it is in Russian dominated Manchuria that the membership of the Association is most numerous while in Central China, not to speak of South China, members were rather rare. And this in spite of considerable pressure by the CCP local chapters to enlist members; on the other hand many party workers ignored the Peking call of popularising the Sino-Soviet Friendship drive as not only they faced grimmess and sarcasm on the part of the Chinese south of the Yangtze but also were themselves disinclined to become servants of a 100% pro-Russian foreign and domestic policy. The Association is very active; exhibiting of Russian films, distributing and publishing books, pamphlets, producing stage plays, organising study circles, libraries, discussion groups, sponsoring any form of Russo-Chinese cooperation in every field of human endeavour. The central office of the Association and the various main branches are staffed with hundreds of educated people whose occupation in more profitable enterprises should prove helpful to the promotion of prosperity in the otherwise so impoverished country. Russian advisers and co-workers are attached to all major branches of the Association. In collaboration with govt and other official organisations — from culture, and science down to primary school parade experts — the Association is invading all fields and shows growing fervor — in Manchuria and North China. Russian stage plays have been imported and several old and all new theatres (like the big People's Art Theatre in Peking) are performing them with audiences herded together by unions and party workers; Russian films are screened in ever increasing numbers and variety distributed by the Soviet Film Export Co. and sponsored by many official organisations in Peking, notably the Ministry of Cultural Affairs. (Many of the films are good though full of propaganda but the average cinema goer in China does not appreciate the finer points of these films as, in fact, he never did with American movies — the often deleterious effect of the latter being freely acknowledged in America). In science and higher education the Association is sponsoring meetings and rallies and here again it has gained the fullest support from the Peking authorities, the labour federation and the youth league.

(Important scientific development was the recent formation of the Michurin Society which after being sponsored in spring 1949 in Shihchia-chuang, Manchuria, went full blast into 'reorganising' agriculture, in theory and practice. The original membership was 30, at present over 3000 so-called agricultural workers, peasant leaders, professors, labour 'heroes' and 'model workers' are members of the Society which aims at putting into practice the theory of Michurin and Lysenko — the

two 'reformers of nature' and creators of 'agrobiology'. The Agricultural University of Peking has become one of the centres of work of the Society who will not permit other than Russian scientific developments to be studied and who will proscribe the free scientific research other than sanctioned by the Moscow Academy).

When the USSR established relations with Peking many civilian and military missions were on their way to China and since that time other missions had followed and some have become semi-permanent institutions. In the field of culture and science the Sino-Soviet Friendship Association imported from Russia many well-known artists, scientists, educators etc. The first mission of such celebrities started last October and lasted 5 weeks during which most big cities in Manchuria, North and Central China were visited and everywhere suitable nuclei were subsequently established. The success of the first cultural Soviet mission was so flamboyantly described by the Chinese propagandists that, once again, an almost contrary effect was achieved in the end. Fulsome tirades were showered over and over again which could not but bring the whole affair into ridicule — and that in spite of the undoubted excellence of the Russian members of the cultural mission. This mission, forerunner of dozens in 1950, organised mass rallies but also 'special and confidential meetings' for the party workers and the political esoterics. It was headed by A. A. Fadeyev (writer) and K. M. Simonov (writer and political author); prominent members were S. A. Gerasimov (theatre director), V. N. Stoletov (biologist, head of Academy of Agriculture), R. I. Agladze (technologist, vice-chairman of Georgian Academy of Sciences), L. V. Dubrovina (educator, the only woman member of the Mission), M. I. Deomidov (political leader, chairman of International Publication Association, Moscow), L. V. Warlamov (newsreel and documentary film director), K. I. Finogenov (artist, painter), Sergeev and Sergeeva (dance experts), E. D. Shmeleff (opera director, singer). Members of the Red Army were also included in the Mission though these men were not in the combat force but in the cultural department (which, of course, always means political propaganda as well). Of this first mission only Gerasimov and Warlamov stayed behind and are now producing for the People's Liberation Army two colour films and directing several more pictures for various govt departments in Peking and Mukden.

One of the most valuable services which the Russians have rendered in 1949 was their cooperation in the rehabilitation of railways and the supply of engineers and other technical staff as well as the importation of locomotives and rolling stock. Without this help the railways would be largely inoperative and the progress of military occupation would have been slowed down very considerably. The Peking govt is very appreciative of this service. Another article will deal with this aspect of Russian assistance to China.

In all national conferences which take place these days in China, be they concerned with industrial production, mining output, higher education, military planning etc., some Russian advisers and assistants participate and their voice is usually determining the drafting of resolutions and adopting of plans. There were recently a number of national women, youths, artists, world peace conferences which were all attended by Russian advisers and economic meetings of more than regional importance do only take place if adequate Russian advice has been obtained. This is particularly in evidence in Manchuria where hardly any matter of significance is decided without Russian concurrence or, better say, compulsory suggestion. The last National Chemical Industry Conference of China adopted, upon Russian advice, resolutions of far-reaching importance for this industry, viz. the centering of new factory construction in Manchuria, neglecting of Shanghai and other industrial areas, the grant of priority to fertiliser, dyestuff and cement production (again to be centralised in Manchuria). The National (or All-China) Telecommunications Conference decided, also after due Russian advice was obtained, to establish a telephoto service between China (Shanghai, Peking) and Moscow, the erection of a new powerful radio transmitter in Peking (with Russian radio engineers' and an operation manager from Russia), the wiring of 11,700 km new telephone lines and repairing of 3600 km old lines (all again with substantial Russian technical and material assistance). The National Newsprint & Paper Conference approved a previously Soviet-approved production and consumption plan, the repair of old pulp mills which have become 'public property' (China relies now more on Russian paper imports than at any time before which development has been observed in other countries as well). The National Urban Supply Conference which was held with the Trade Minister (Yeh Chichuang) in the chair and a number of Russian experts as advisers decided on the policy of creating 12 trading corporations (these corporations to take over from existing official and semi-official bodies the functions of trade and domestic distribution control), of adjusting commodity prices and taking a more active part in the economic life of the city people with a view of re-directing their occupations.

In military affairs the position of Russian advisers is treated as top secret but the fact cannot be obscured that there are considerable numbers of Russians serving with the general and various regional headquarters. At the beginning of this year general staff conferences were held and in every instance Russians took part either as advisers or observers. Apart from purely military subjects these conferences also decide on economic policy matters such as production plans, agricultural reform etc. The principal general staff conferences were held by (1) the Northwest Military & Administrative Committee (at Sian, covering Shensi, Kansu, Ninghsia, Chinghai,

Sinkiang), (2) the East China M. & A. Committee (at Shanghai), and (3) the South & Central China M. & A. Committee (at Hankow, covering all or parts of Honan, Hupeh, Hunan, Kiangsi, Kwangtung, Kwangsi). The pushing of the war was top agenda but the employment of troops in rehabilitation and harvesting work, land reclamation, irrigation, railway reconstruction, land reform etc. were also engaging the attention of the military commanders and their civilian and foreign advisers.

The prestige of the USSR is being built up by the Peking propaganda and in this effort they obtain plenty of impressive material from the Soviet propaganda machine. It is especially in the field of nuclear energy that dark hints or threats are thrown around in Moscow which are eagerly snapped up in Peking and, with their awesome implications, served the Chinese public for the purpose of reinforcing in them the belief that, after all, China has sided with the most powerful nation in the world. The often fantastic claims made by such publications as the 'Bolshevik', the 'Literary Gazette' etc. about the alleged progress of Russian science in the field of atomic fission and the constant sabre rattling in Moscow have had their desired effect on the mass mind. Progress made elsewhere in world destructive weapons, if at all made public in China, is usually ridiculed and minimised.

There is also much made of the vaunted strength of Eastern European states, commonly but not respectfully referred to as satellites. There are Poland, Rumania, Bulgaria, Czechoslovakia and, not to be forgotten, Albania who are in the 'peace camp' and on whose support the Peking govt can count; Eastern Germany is now more frequently mentioned as a potential ally and source of help (China always thinks of other countries in terms of assistance to be obtained from them, revealing a one-way track of mind). All the 'satellite' countries have sent their ambassadors or envoys to Peking. Thus the diplomatic corps in Peking is on the increase and by virtue of the ever growing numbers of the Soviet Embassy the total of foreign representatives (including their families) in Peking is today almost as large as in normal times. The absence of an envoy from Yugoslavia is better not mentioned; though Belgrade has recognised Peking it is not known what embarrassment this step has caused in the People's China. When the Cominform viciously assailed Yugoslavia for its 'betrayal' the CCP was not slow in joining the Moscow directed anti-Tito calumny. This however did not detract Belgrade from recognising the fact that the former Chinese govt had been chased out and that new authority was assumed by the Peking govt. If there was ever any proof required for the complete subservience of the People's China, in matters of foreign policy, to the commands of Moscow the case of Yugoslavia is sufficiently illustrative. Among the intellectuals of China this development and its significance has been noted — one may add, woefully.

Economic Developments in Taiwan

Foreign Trade:—The Provincial Supply Board has ordered 8,000 tons of rice from Thailand which is expected to arrive during this month. A total of HK\$8.5 million has already been approved for this purchase.

Imports for the second March week included the following: 3900 metric tons of fertilizer and 100 tons of miscellaneous goods from the United States; 3200 tons of miscellaneous imports from Japan (including 1,000 tons of military supplies), and 2,720 tons of salt fish, yellow beans, and miso (a bean paste) from Hongkong.

Revenue from customs sources in February totalled new Taiwan yuan 10,400,000 (equivalent to US\$2,080,000 at the official exchange rate of NTY5.00 equal to US\$1.).

The Provincial Pineapple Company recently sold 16,000 cases of canned pineapple to Sweden and 70,000 cases to a British firm which action disposed of the remainder of the 1949 output of 120,000 cases.

The Taiwan Industries Guild on March 8 decided to ask the government to ban the import of cotton cloth, claiming that the annual production of 112 million yards meets Taiwan's requirements. A half of this amount is hand-woven, however, while the quality is under that of the Japanese.

Banking and Exchange:—The Industrial and Banking Subcommittee of the Provincial Production Committee approved the following foreign exchange allocations on March 7 (in US dollars unless otherwise stated): \$153,579 to the Provincial Tobacco and Liquor Bureau for machinery; \$48,895 Japanese barter credit to the Provincial Coal Control Committee for mine equipment; £136,875 to the Taiwan Sugar Corp. for fertilizer; \$16,800 to the Provincial Chemical Industrial Company for tallow; \$5,900 to the Provincial Forestry Bureau for Locomotive parts; and, \$3,052 to the Taiwan Movie Theater Corporation for projector parts. In addition, the Subcommittee approved foreign exchange allocations to 80 individual applicants as follows: US\$91,255; HK\$477,685; £1,465; and \$105,702 Japanese barter credits.

The Industrial and Banking Subcommittee has ruled that importers will not receive foreign exchange to import raw cotton, cotton yarn, cotton cloth, flour, soybeans and bean cake, peanuts and peanut oil, as these items will be handled by the Provincial Supply Board and the ECA office in Taipei. Foreign exchange applications by government enterprises are to be screened by the Provincial Production Committee before being submitted to the subcommittee.

On March 10 the Provincial Bank Loan Examination Committee approved long-term loans totalling NTY1,918,000 to 119 firms, and NTY1,044,500 in short-term loans to 89 firms.

Commodities:—For the first time in about a month, prices of leading commodities showed some changes. As compared with February 21, the price

New Chinese Customs Tariff

New customs duties will go into effect on or about August 1, 1950. With respect to imports, a double-column tariff will be established. That is, general and normal rates of duties would apply to commodities imported from countries that have trade treaties or agreements with China while higher rates of duty would be collected on commodities imported from countries that do not have such treaties or agreements. In addition, the new tariff would be protective in that customs duties on imported industrial and semi-manufactured goods that might be produced on a large scale within the communist areas would be higher than the difference in production costs of such goods and similar products made in China. This would be in accordance with the announced policy that customs duties must protect state production and domestic products in competition with foreign goods. Also, higher duties would prevail on unessentials and luxuries. Low rates of duty or even free entry would apply, however, for items produced in small

quantities or not at all in China, such as production equipment and materials, industrial raw materials, farming machinery, grain seeds, and fertilizers. The same principle would apply to all necessary scientific books on the prevention and cure of crop diseases and pests, and to medicines that can neither be produced in China nor for which there are local substitutes. Also, low duty rates or exemption would apply to the export of all semi-manufactured products and raw materials whose processing or manufacture has been encouraged by the authorities. A special committee is to be formed under the "Committee of Financial and Economic Affairs of the Government Administration Council" to work out the new tariff regulations. Until the new tariff rates become effective, the Customs Administration will continue to use the import and export duty rates established under the Chinese Nationalist Government (as revised in August 1948 and 1945 respectively) excepting certain alterations to be made now or in future.

Economic Developments in South Korea

The Republic of Korea's autumn rice-purchase program of 3,500,000 suk (about 510,000 metric tons) which was reported to be nearly 90 percent completed by the end of December 1949 tapered off at about 93 percent of its goal at the end of January. The sharp rise in the rice prices in January was the result of rice withholdings in anticipation of further price increases, the suspension of the general ration involving about 4,500,000 persons on December 1, the failure of the Government to release rice stocks until mid-January, and the congestion of polishing and transportation facilities. As a measure to control the increasing price trend, the Government began selling in Seoul 1,000 suk (1 suk=5.1 bushels) per day at 1,400 won per small mal (16.5 pounds) while the open market price was 1,950 won. When this measure failed to give more than temporary relief, the Government on January 26 increased its sale of rice in Seoul to 4,000 suk per day at 1,400 won per small mal, resulting in an open market price of 1,800 won per small mal at the end of January. Other measures of control in this connection included (1) the issuance, effective February 1, to every family in Seoul of rice purchase tickets entitling every person to 10 hops (1,500 grams) of rice every 5 days, distribution to be effected by neighbourhood associations, (2) the proposed restitution of a nation-wide ration system pending a decision on rice prices, and (3) a reduction in the 1,700,000 suk of rice reserve for export, market control, and emergency rationing by 663,000 suk, for use as an allot-

ment to 257,000 Government employees as a free family allowance instead of salary increases.

Mineral Production:—Coal production in both Government and private mines is estimated at 109,238 metric tons for December, slightly less than the production of 110,629 metric tons in November. Production was maintained at this level in November and December largely as a result of the Government's payment in November of mine expenses for the latter part of May and the months of June through August. At the year's end, however, wages of miners at Government-owned mines had not been paid since November and contractual expenses for the months of September through December remained unpaid. The establishment of a national coal corporation as a measure to place the Government's vested coal mines on a business basis and promote the industrial recovery of Korea was still under consideration at the end of January.

Other mineral production statistics for December 1949 were estimated as follows: Gold, 20 kilograms of metal content; silver, 125 kilograms of metal content; electrolytic copper, none; tungsten concentrates, 60 metric tons of metal content; crystalline graphite, 108 metric tons; and amorphous graphite, 2,000 metric tons.

Electric Power and Industry:—Output of electric power in January averaged about 74,427 kilowatts, or about 2 percent below December's average of 76,002 kilowatts, warranting the continuation of severe restrictions on industrial and other uses of electric power. The decline in January output is the result primarily of mechanical repairs on one of the oil plants, thermal-plant production being slightly higher than in December and hydro-electric generation remaining about the same as in December.

The level of over-all manufacturing fell in December below that of No-

of flour dropped NTY0.10 per kilogram while edible oil advanced sharply from NTY3.25 to NTY4.00 in the same period and soap prices increased from NTY1.50 to NTY1.60. Prices of other commodities, including rice, remained unchanged.

vember. Production of major commodities in December was reported as follows: Cotton yarn, 1,678 metric tons; cotton sheeting, 7,868,000 meters; paper, 1,030 metric tons; cement, 3,396 metric tons; and rubber shoes, 1,551,173 pairs. The shortage of raw cotton reduced cotton-sheeting production from the December figure of 8,604,240 yards to 6,295,600 yards in January, and further reductions were anticipated for February. The implementation of the Bill on the Disposition of Vested Property had not been initiated by the end of January, although the early sale of residential properties was anticipated.

Finance:—The momentum of the inflationary spiral in Korea was checked somewhat in January by several factors such as the virtual stoppage of Government rice purchases, the initiation of Korean Government rice sales, and the maturity of agricultural loans. This was reflected in a slight drop in the money supply. Currency in circulation declined from the early January peak of 75,300,000,000 won to 71,229,000,000 won on January 30, permitting currency reserves to climb to approximately 8,000,000,000 won.

The Government of Korea increased the counterpart fund rate to 800 won to US\$1 for the month of January and increased the prices of aid supplies correspondingly as a further step toward the ultimate objective of having these supplies sold at a price of at least 80 percent of the open-market price of comparable goods.

Foreign Trade:—In December, total imports into the Republic of Korea, including private, United States, and Government financed imports, were valued at US\$5,068,000, whereas total exports, both private and Government, were reported at \$1,560,000. In terms of value, December imports were financed as follows: 61 percent by the United States; 27 percent by private parties; and 12 percent by the Korean Government. Total imports consisted of invisibles (29 percent of total value), fertilizers (17 percent), coal (12 percent), vehicles and parts (11 percent), cotton yarn and thread (10 percent), petroleum (7 percent), and chemicals and drugs (6 percent). More than one-half of total imports were supplied by Japan and consisted chiefly of cotton sheeting, coal, chemicals, and drugs. About 82 percent of total exports were on a private level and the remaining 18 percent on a Government level. The bulk of private exports were destined for Hongkong, whereas most Government exports were shipped to Japan.

The negotiation of Korean rice sales to Japan had not been concluded by the end of January, negotiations centering about a price of \$140 per metric ton with differences in terms of sale hinging on gross-ton and net-ton basis. The Government's purchase of 70,000 metric tons of North China bituminous coal from a British shipping line in January and its earlier purchases from Taiwan and India indicate a trend away from Korean reliance on the Japanese market as the sole source of Korean bituminous needs.

FINANCIAL REPORTS

EFFECTS OF STERLING DEVALUATION

In response to a question on the effects of the September devaluations that are already visible, Mr. Gutt, Chairman of the International Monetary Fund, stated: The first effect of the devaluations has been a rise in sterling and a fall in dollar prices of international trade commodities. But since so many forces are constantly acting on the prices of these sensitive commodities, it is not possible to isolate the effects of devaluation. The general tendency has been for the fall in dollar prices of a given commodity to reflect the share of total production or consumption of that commodity in the countries that depreciated.

Discussing prices in industrial countries, Mr. Gutt said that, while price changes would vary widely from country to country, price changes in national currencies may not be very large, because of the large number of countries that have devalued their currencies. For the United Kingdom, for example, the average depreciation of sterling in terms of the currencies of the countries from which it imports is less than 13 per cent. The actual effect on the prices of the United Kingdom's imports in terms of sterling may be somewhat more. It will, of course, be some time before the goods currently imported reflect the higher sterling prices consequent on devaluation. Between September 1949 and December 1949, the unit value of United Kingdom imports rose by about 11 per cent. While a further rise may be expected in the next few months, it should be small. Other prices in the United Kingdom have risen even less than import prices. The wholesale price index of all goods, which includes a very large component of import goods, was only 5 per cent higher in December than in September. The cost of living was virtually unchanged.

No significant change in export prices is evident. In December 1949, the unit value of United Kingdom exports was 258, on a 1937 base, compared with 256 in September. Presumably, December exports do not reflect the higher sterling prices of imported raw materials which are used in producing export goods, or higher sterling prices which may be quoted for other reasons.

The effects of the devaluations in inducing an expansion of exports to the dollar countries, and in inducing a contraction of imports from the dollar countries, cannot yet be seen. Trade data do not show any clearly defined expansion of exports from Europe to the Western Hemisphere. That is not surprising, however, as there is a delay of a few months between the placing of orders and the shipping of goods.

Mr. Gutt concluded by saying: It is not the devaluations of September that alone can assure that shift in dollar payments which is the basic objective of the devaluations. It is the policies being made now—on investment, on credit, on taxes and government expenditure, on wages and

consumption—that will determine whether goods will be available for export on a sufficient scale and whether they will be offered at prices which will open larger dollar markets.

FINANCIAL INSTITUTIONS IN THAILAND

Low rate of savings, habit of hoarding, lack of openings and security for investment, lack of aggressive policy of mobilization of domestic capital by the State through its fiscal policy and imperfections in the structure and operations of financial institutions are some of the factors impeding mobilization of domestic capital in Thailand for productive investment and economic development, according to the findings of an ECAFE study on Financial Institutions and the Mobilization of Domestic Capital in Thailand. The study shows that the economy of Thailand is under-developed and undiversified with a lower per capita national income than Ceylon, the Philippines and India, though higher than those of Indonesia and China. The 1948 average per capita national income was estimated at US\$41 and the annual aggregate investment at five per cent of the total national income would have amounted to US\$35,000,000. However, the aggregate savings of most of the population is probably limited if not negative while the fortunate few hold their savings in the form of notes, precious metals, jewelry or in the purchase of land, immobilizing real resources which could otherwise be used for economic development. Furthermore, there is a lack of openings and security for productive investments except in real estate.

The study finds that in Thailand there is no investment trust or similar financial institutions to act as intermediary between small savers and the capital market and to undertake investment operations on a diversified basis. In certain fields, government policy of taxation tends to reduce the profitability of investment. To provide an environment which would facilitate investment in productive enterprises, the ECAFE study suggests the following positive measures: a review of the Company Law to weed out all impediments to the development of joint stock companies; a more rational tax system to remove double taxation; government encouragement to those industries which could be profitably operated on an economic basis, for example by such measures as reduction or even exemption of import tariff on certain capital goods, exemption or reduction of tax rates for a period after the establishment of these industries, and organized training of technical personnel both in engineering and business management.

In reviewing the structure and operations of financial institutions in Thailand the study finds that there has been little development of institutions supplying long-term credit. In other words, the money market has

developed more than the capital market. The absence of mortgage banks and industrial banks to supply long period finance to agriculture and industry may be considered as gaps in Thailand's financial framework. It is desirable to set up some institution on the lines of the Industrial Finance Corporation of India or Pakistan.

With the gradual promotion of joint stock corporations and an increase in the volume of government securities, conditions will become favourable for the creation of a stock exchange, which would divert people's savings from investing in bullion or jewelry to bonds and stocks and enable the savings banks and insurance companies to find safe and profitable outlets in relatively long term investments.

Further development of the Bank for Cooperatives, the Government Savings Bank and insurance companies would be necessary. The Bank for Cooperatives should be empowered to issue more cooperative bonds to be sold in cities and in the country in order to absorb resources of both individuals and other financial institutions. In order to meet the need for long term agricultural credit, the study suggests the establishment of a land mortgage bank by the Government. Such a bank should make use of the funds mobilized by the Government Savings Bank, by insurance companies and by other institutions.

The Bank of Thailand is not yet a true central bank, since, as constituted today, it lacks certain powers and functions of a central bank. One fundamental weakness from which the Bank of Thailand suffers is that it has been designated for assisting and controlling the money market, and very little, if at all, for developing the capital market.

Conditions for domestic investment will be greatly enhanced by an expanding volume of foreign trade, a

sound balance of payments position, and an inflow of foreign capital. The application of export duties and import tariff and the embargo on gold movement should be reconsidered. The urgent need of a modern harbour and efficient transport facilities to make Bangkok a modern port is everywhere admitted. Since 1948, Thailand's balances of payments has improved, making it possible to finance the imports of equipment and raw materials needed for such and other economic development.

NEW CURRENCY REGULATIONS IN INDONESIA & STABILISATION OF GOVT FINANCES

A summary of the main features of the new regulations introduced by the Government of the United States of Indonesia, with effect from March 13th 1950:—

Exporters (and residents rendering services to foreign countries etc.) are required to surrender the proceeds of exports etc., to the Authorized Banks, on behalf of the Foreign Exchange Fund, at the official rate (which has remained unchanged), as hitherto, but at the time of negotiation of their export drafts in foreign currency, they are entitled to receive from their Bank an exchange certificate, valid for 30 days, in Indonesian currency for 50 per cent of the proceeds in local equivalent of that export draft.

This applies also to foreign currency notes, traveller's cheques, drafts and letters of credit in foreign currency, presented for encashment by non-resident visitors.

Payees of remittances for active investment purposes (which the Exchange Control will have to approve of) will receive an exchange certificate for 100 per cent of the equivalent amount of the local currency, in addition to the proceeds at the official rate of exchange.

Imports will henceforth be regulated primarily by an Import Licencing System. The new regulations stipulate however that the Import Licence holder buys the allotted foreign exchange at the official rate from the authorized banks, and that in addition the importers must buy from (or surrender to) the Bank an exchange certificate for 100 per cent of the guilder equivalent of that amount.

Payments to abroad for non-import requirements may only be made with a licence issued by the Exchange Control, as hitherto, in addition the remitter must buy from (or surrender to) his Bank an exchange certificate for 100 per cent of the guilder equivalent of the amount involved.

As a result of the above mentioned measures, 50 per cent of all foreign exchange surrendered to the Banks (and settled at the official rate of exchange only) will remain at the disposal of the Foreign Exchange Fund.

Dealings in certificates can only be made with Authorized Banks and a certain price for certificates will arise as a result from supply (mainly by exporters) and demand (mainly by importers).

The present Bank's selling rate is 2.00 (guilders per certificate guilder) and buying 1.99.

The price of the exchange certificate is in addition to the official rate of exchange, both component parts constituting the effective ("free") rate at which transactions in foreign currency are settled in guilders, but orderly crossrates are maintained.

Possession of an exchange certificate alone does not entitle the holder to purchase the foreign exchange equivalent at the official rate, the right thereto can only be exercised with either an import licence or a separate exchange permit.

Exporters and importers are allowed to acquire or to sell certificates on a forward basis, i.e. to enter into a contract with an Authorized Bank to take delivery of the certificate at some future date. Forward certificate transactions however, must be directly connected with the accessory exchange transactions, i.e. with the movement of goods. The forward prices for certificates will be expressed as a margin on one or either side, as the case may be, of the prices for spot transactions, and are governed by the supply of and the demand for forward certificates.

The present forward rates are: Buying, up to 3 months forward: flat. Selling, 1 month forward: 201; 2 months: 202; 3 months: 203.

The Exchange Fund deals in exchange certificates only with Authorized Banks and exclusively on a ready basis.

The above measures do not affect in any way the facility—with the approval of the Exchange Control — of the possibility of free conversion at the official rate of the credit balances of Indonesian guilder accounts of Overseas Banks ("Bank — gurni's") into the currency according to the geographical status of the account holder. On the other side, incoming exchanges received for the credit of those Indonesian guilder accounts in the name of Overseas Banks will be settled at the official rate only.

The new regulations, however, do apply to inland payments to be made to the credit or the debit of those Indonesian guilder accounts in the name of Overseas Banks. Consequently, for inland payments, authorized by the Exchange Control — to be effected to the debit of those convertible accounts, a certificate will be issued to the beneficiary, amounting to 50% of the amount in local currency; in case of inland payments — authorized by the Exchange Control — to be effected to the credit of those accounts, a certificate will have to be furnished, amounting to 100% of the amount in local currency.

Though the new system does therefore not exclude the possibility of transactions to be effected through the Indonesian guilder accounts of Overseas Banks, this method of payment will meet with technical difficulties, owing to fluctuations in the price of certificates, which may occur. It is therefore recommended that, for the time being, transactions between non-residents and individuals or firms in Indonesia be invoiced and payments be effected, in foreign currency only.

Bank holdings of certificates must be accounted for in the Bank's administration on a certificate account. The Exchange Control may require that accumulated balances on certificate accounts over normal working balances and balances to cover an oversold position, if any, in forward certificates be surrendered to the Exchange Fund.

On the other hand the Banks will have to settle at once any deficit (i.e. credit balance) in their certificate account by ready buying. Consequently it is not allowed to cover a credit balance on certificate account by an overbought forward position in certificates.

Compulsory Government Loan

With the object of: (a) further combating the ever increasing inflationary tendency of the Indonesian currency, (b) bringing the internal purchasing power of the Indonesian Guilder more in accordance with its external value, (c) balancing the National Budget, the Government of the United States of Indonesia has taken further monetary measures designed to tighten the money-circulation with a forced Government Loan.

With effect from the 19th March all federal banknotes with a face value of F5, — upwards, ceased to be legal tender. The Banknotes concerned must be cut into two equal parts. The left-half will be legal tender at 50% of its nominal value until the 10th April

next; as from that date, until the 17th April 1950, the left-halves will still be exchangeable into new Banknotes for 5% of the original nominal value of the whole notes.

As from the 17th April 1950 the new Banknotes only will be legal tender, side by side with the old papermoney and coins from F2.50 downwards, which were exempt from the new measures.

The right-half of the banknotes of F5, — upwards will in due course be redeemable into 3% Government Bonds, for 50% of the old nominal value.

Of the balance on current account with the banks, as at the close of business on the 18th March 50% must be transferred to a joint, blocked, account, the balance of which can only be utilized for the purchase of the aforementioned Government Bonds.

Bank accounts showing a credit balance below F400 are exempted from this measure, as well as the first F200, — of balances below F1000. —.

These regulations however, do not apply to accounts with the Banks in the name of: (a) various Government Institutions, (b) foreign Embassies and Consulates, (c) representatives of the United Nations, (d) Charitable Institutes, (e) Foreign Banks and Foreign Circulation Banks and (f) Other Banks in Indonesia.

The Government is confident that with these measures which are expected to yield F1½ milliard (the deficit in the National Budget is 2½ milliard) combined with the new Exchange Regulations of the 13th March and with increased taxes, inflation can be effectively stopped.

The Government also announced that the paper money, which will be issued against the left-halves of the cancelled notes will partly be replaced by other banknotes in denominations of F5, — and F10, — during June next, whereas an entirely new currency is planned for issue in the course of the next year or in 1952.

HONGKONG FREE MARKET

Gold:—Last week's unofficial market was in a holiday spirit; only two days at the Exchange and one day more in the curb market. In spite of the festive mood — Ching Ming for the Chinese and Easter for the Christians — business was bad, prices on the downgrade and prospects unfavourable.

Last week's highest & lowest rates per .945 fine tael \$270½ — 257, equiv. to .99 fine tael \$283.38 — 269.23 and .99 fine oz \$235½ — 223¾. Gold crosses US\$ 37¼ high, 36¼ low.

In April 1949 the highest and lowest .99 fine tael prices were \$407 — 311½, and crosses US\$ 55—49. These figures appear quite unreal today and reveal the enormous losses suffered by hoarders and investors in gold and, particularly, by the forward speculation (the bulls who did not meanwhile liquidate their positions).

Macao prices of last week ranged from HK\$ 277 — 284¼ and there was also anticipation of further slumps despite some new openings for bullion exports. The difference in the local and Macao (.99 fine tael) prices is largely accounted for by the so-called premium which gold exporters from here to the Portuguese colony demand (all exports to overseas markets, with very few exceptions, are to be channeled via Macao from where mostly airlifts carry bullion to final or intermediate destinations; gold transporters, which includes even fishing junks and smaller native craft, make a good profit from illicitly carrying the precious cargo from here to nearby Macao evading the local Revenue officers and making a deal with their opposite numbers in Macao).

Canton prices of last week ranged from HK\$260 — 283 per .99 fine tael and there was plentiful supply from all provinces. The supply position in China is increasingly abundant; impressively big figures are mentioned, both

in Canton and in Taipeh, as ready consignment or outright sale (if possible) to Hongkong and Macao. Canton has now become the principal bullion entrepot of China where from all major cities gold and silver flows together for eventual export to the two adjacent European colonies. The native gold hoarders don't like this forceful competition as they themselves are eager to get out of their holdings and buy commodities with the proceeds. Hunan, Hupeh and Kwangsi imports into Canton were heavy and more is to come thus leading, like in commodities, to congestion in the bullion market.

Gold forward interest continued in favour of sellers but was only 38 cents compared to 43 cents of the previous week, the yield on annual basis amounting to just 7%. The daily fixing of the forward interest (per tael of .945 fineness) which is negotiated by the Gold Exchange Committee in accordance with the varying overtraded position gives a good indication of the price trend; as it continues in favour of sellers although it would appear that further declines cannot be anticipated the weakness of the local bulls is exposed and market operators pile up more gold on the spot market only to sell it daily forward thus extracting their tribute from the overbought sector of the market.

There was much excitement during the the 3-days session when supposedly serious bankers and their followers started to discuss the 'probability' of a lowering of the US Treasury buying price. Though this sustained rumouring may be considered very unserious it nevertheless had its effect on a nervous market where the bulls suffer from one defeat to the next debacle and nobody expects any change in the gold price depression the world over.

Forward contracts (mostly fictitious) totalled last week 195,000 taels (of .945 fine), a daily average of 62,500 taels.

Shanghai and non-affiliated speculators were buyers, smaller interest was evinced by the Swatow and the local groups. Bullion exporters turned sellers upon the spreading rumour of lower US Treasury buying price in which they found support from the fact that international markets ruled extremely weak. Other sellers were the Canton operators who liquidated in anticipation of new and much cheaper arrivals from Canton. The daily average position left open amounted to 205,000 taels in which Shanghai bulls and exporters remained overbought while the rest of the market stood firm on the victorious oversold side.

Spot gold sales aggregated 25,830 taels inside the Exchange and 13,000 taels in the native banks curb market (also conducted in the premises of the Exchange but no earnings are chalked up by the Exchange on this so-called unofficially transacted lot). Of the total cash bar sales the interest hedgers took up 32,000 taels (again revealing their confidence in further downward price movement), none by the jewelers, and the balance of over 6500 taels by exporters (2500 for India, 2000 to Bangkok, 1500 to Singapore, 500 to Indochina).

Imports were about 700 taels from Taiwan and approx. 1500 taels from Canton. The ready trading stock again increased.

Highest & lowest .945 fine gold and TT New York quotations:—

		Gold tael		US\$	
		High	low	high	low
April					
3	....	270½	267¼	632¾	631½
4	....	268	262½	631	628½
5	....	262	257	628	620

US\$:—Highest & lowest rates of last week per US\$ 100 in HK\$—notes 625¾ — 616, DD 629¾ — 618, TT 632¼ — 620, equiv. to crossrates US\$2.53—2.58.

April 1949 highest & lowest rates for TT were \$610 — 525½, while crosses were US\$ 3.04 high, 2.62 low.

Sales last week aggregated US\$ 1¼ million of which US\$ 600,000 in the TT sector.

Oversupply featured the market and speculative forward selling of TT New York aided the slump in free market rates. The elsewhere experienced tightness in US exchange is unknown here. Sterling's strength is however a world wide phenomenon and after the latest UK Treasury report which showed Britain's state of finances in a very optimistic light — notwithstanding the gloom which Austerity Cripps casts over everything — there should be added inducement to reconsider investments in the sterling rather than the dollar area. The US govt is well disposed towards this trend and encourages now — late in the season — a more balanced international payment balance of the US. Already there are rumours which speak of the possibility of the UK revaluing the official London/New York parity from the present 2.80 to 3 to £. This is somewhat early in the year to talk about this matter but, if world conditions do not deteriorate so as to endanger Britain's export drive, the US\$/£ relationship should by all means be studied from this angle of reassessment of a new parity.

With the usual buyers and sellers of US\$ (in any form) the market showed difficulty to digest the growing volume of offerings, and was upset about the prospects of becoming one of Taiwan's principal exchange conversion center; already Hongkong serves as the KMT's and Taiwan govt's exchange market but official business has not been entirely entrusted to the Colony's banks and native banks. But as the Taiwan govt's sterling requirements rose more US\$ reserves are being converted here in

order to pay for cargo (of civilian and military type) in sterling currency. Silver exporters were conspicuous sellers of proceeds in New York.

Gold and silver exporters were largely dealing with Wing Loong and Hang Seng native banks as well as with one of the leading silver dealers here, the Kan Koam Ching & Co., when disposing of their export proceeds; the above mentioned banks were also sellers on behalf of merchants and for KMT organisations. The Lui Hing Hop Bank and Chan Man Fat Bank (the latter being prominently connected with the Swatow speculative group in Hongkong) were mostly sellers of silver export proceeds. Overseas Chinese family remittances were handled to a large extent by the Asia Company, the firm of Tan Bing Chun and the Chap Yau Bank. The Shanghai clique of operators is usually transacting through the South Western Commercial Bank, the native banking firms of Yui Sing Kee, Man Shun and Yau Han. Commercial bills are largely handled, apart from the big banks' compradore departments (which are strictly speaking not parts of the banks themselves), by Dao Hang Bank, Ying Shung Bank, Chiu Tai Bank, the China & South Sea Bank, and for important though not old-established foreign customers the Wing Loong Bank. Some financial 'hongs' specialise in collecting notes and drafts and selling TT thus earning the small difference in respective rates. The Chinese financial authorities have in the past conducted much of their free market business in Hongkong through the Po Sang native bank, a well-established and resourceful organisation.

Japan account US\$ was ruling weak and rates slipped below TT New York. As local exports to Japan are growing and import demand does not in the same ratio there is an over-supply of US\$ in the Hongkong-Japan two-way account (held in Tokyo).

Silver:—Prices of last week in HK\$: —per .99 fine tael 4.97, local and Mexican dollar coins 3.11 — 3.12, Chinese coins 3.14, twenty cents coins (per 5 pcs) 2.70.

The market is depressed and as stocks are heavy, new arrivals looming and the People's govt anxious to get rid of silver treasures (in return of more useful goods) continued price drops are anticipated. Canton quotes some 10% below the local market and reports almost daily new unloadings of silver from upcountry and other provinces. Like in gold, the authorities have brought to Canton large stocks of silver, mostly in coins (and often of the latest mint, showing Sun Yat-sen, which were ordered by the former Nationalist govt abroad and partially produced in the country when the paper money of that govt no longer was accepted). Already New York, the main market, has lowered its price by ¼ cent to 72 US cents per fine oz and it is anticipated that shrewd American operators will take advantage of the plight of the Chinese govt who are in need of exchange and are therefore anxious to convert bullion holdings into foreign currency. Local exporters are at present finding it almost profitless to ship silver to the States and pending a marked lowering in the local price they will not enter the market as buyers. This reluctance has induced the local agents of the Chinese govt. to go into export business themselves; they are presently holding over 1 million ozs (in coins and ingots) and will have a continuous supply of this metal for a good time to come.

Bank Note Rates:—Highest & lowest prices of last week in HK\$:— piastres 11, guilders new 6.60 — 6.50, old 5 — 4.50, baht 27. Bank of England note 15.35 — 15.30, Canada 5.60 — 5.58, Australia 19.95, India 1.07½ — 1.07¼, Burma, 78 — .77, Ceylon .95, Malaya 1.81¼ — 1.81, Philippines 2.54½ — 2.53½.

COMMERCIAL MARKETS

Japan—Sterling Area Trade Difficulties

The Foreign Exchange Control Commission, Tokyo, has suspended sterling exchange allocation to importers (granting only few exceptions) as a result of the failure on the part of the sterling area, as a whole, to purchase Japanese goods on the strength of the agreement with Japan. Such scarce purchase of Japanese goods has entailed a practically total drain on Japan's pound sterling account in a short period from January 1 to February 28, and consequently Japan's sterling imports will now be confined to mainly cereals, raw cotton and some amounts of other nonessential commodities, until Japanese foreign exchange reserves in banks are found sufficient for endorsement of letters of credit. Japan has already made an arrangement with Australia to purchase as much as 1,600 thousand pounds of wheat. But, under the present situation, not only will such purchase be rendered unfeasible, but also

serious effects may possibly be exercised on the oil purchase from India.

Japan's trade balance, owing to inactivity of exports to the sterling countries, has been made liable for an excess of imports amounting to about £16 millions so that the current £2,000 limit available for L/C has been almost exhausted by GHQ alone, and even if more scope is authorized to the FECC, it will never suffice for fresh letters of credit to be issued. Hence the Foreign Exchange Control Commission is compelled for the present to stop exchange allotments for imports from the sterling areas, except for goods in pressing need.

Under the Anglo-Japanese trade agreement, the agreed amounts are set at £74,800 thousands for imports and £65,700 thousands for exports to be effected starting from January 1 last year up to the end of July this year. Nevertheless, a glance at the import and export record as of the end of February reveals that imports of rice

from Burma and raw cotton from Pakistan amounted to £52 millions or about 70 per cent of the agreed amount, while exports stand barely at £36 millions or 54 per cent of the same.

Taiwan Steel

The Taiwan steel plant was scheduled to begin operations on March 10. This is the only steel plant in the territory occupied by the Nationalist forces of China and, consequently, will be their only domestic source of steel.

The iron and steel industry of Taiwan, which consists of a large number of small enterprises with some electric furnaces capable of handling small melts, was begun during the period of Japanese control of the island. Until 1945 all machinery and equipment for the iron and steel industry came from Japan or was produced locally. The industry is not integrated, nor can it produce large tonnages of semifinished or finished products. There are installations to produce some pig iron and ferro-alloys, electric furnaces for steel, forging shops, some rolling equipment

H.K. Stock Exchange

Last week has been particularly quiet and the volume of trading poor. There are insignificant changes in rates; two for the better and six are slightly off, the balance unchanged.

The Directors of the Union Waterboats Co., Ltd. have announced a dividend of \$2.00, Free of Tax, for 1949.

Business reported during the week, \$1,212,041 (shares sold 34,063).

Business for 1st Quarter 1950: \$22,596,951.

Business done during last week:—

	High	Low	Sales
H.K. Govt. 3½% Loan (1948)	96½	96½	370,000
H.K. Bank	1350	1345	279
Union Insurance	590	585	240
H.K. Fire Insurance	200	200	40
Wharves	—	—	50
H.K. Docks	17	17	1,077
Shanghai Docks	4	4	1,000
H.K. & S. Hotels	9.30	9	8,950
H.K. Lands	42	42	100
Shanghai Lands	1.45	1.45	2,000
Realtys	2	2	4,000
H.K. Tramways	13.30	12.90	6,300
Star Ferry	—	—	32
China Lights (O)	11.30	11¼	1,000
do (N)	8.10	8.10	2,333
H.K. Electrics	26	26	300
Telephones	16	16	500
Cements	11.40	11¼	1,700
Dairy Farms	38	38	400
Watson	28	27	400
Lane Crawfords	22	22	500
China Entertainment	—	—	200
Ewo Cotton	2.80	2.80	1,062

for structural steel, a wire-drawing mill, a nail plant, and machine shops.

During the Japanese domination the Taiwan iron and steel industry imported iron ores from Manchuria and Hainan and pig iron from Yawata (Kyushu, Japan) and Anshan in Manchuria. The only local sources of iron ore are the sand ores of Tamsui in the Keelung River area and at Tsu, but they are of poor quality and cannot be used in quantity. Scrap for the industry was locally being generated principally from marine and railway salvage material. Ferro-silicon and ferro-manganese are available locally; ferro-chrome is imported. Inferior coke is available in Taiwan at Chosokei, Shiodome, and Itahashi.

Japanese Imports of Hainan Iron Ore

The Japanese iron and steel industry operating through SCAP has placed orders for 300,000 tons of iron ore from the Hainan Island deposits at a price of US\$8.50 a ton.

Prewar sources of iron ore for Japan were Malaya, the Philippines, China, Manchuria, and Korea, although the latter two shipped pig iron rather than the ore itself. In the postwar period, Japan has contracted to purchase Philippine, Malayan, and Indian ores, which now will be supplemented from sources in Hainan.

Japan—Thailand Trade Arrangement

The two-way trade between Japan and Thailand is to approximate US\$90,000,000 during the period January 1 to December 31, 1950, under a recently concluded trade arrangement. This is the second postwar trade arrangement between the two countries and provides for an increase of \$50,000,000 in total trade between the two countries during 1949. As in the former trade plan this arrangement provides for balanced trade on an open account basis to be conducted in terms of United States dollars. Under the new plan it is anticipated Japan will continue to make available to Thailand a large variety of manufactured goods, including textile manufactures; industrial machinery and parts; structural steel; building materials; electrical appliances; sewing machines; bicycles; chemicals; rubber manufactures; rolling stock; rails; small bridges; dredges; electric power, communications, and ice plants; enamel, aluminum; porcelain, and glassware; paper and paper products; and many miscellaneous commodities. Thailand is to provide Japan with food and industrial raw materials, including such items as rice, soybeans, castor beans, beans, sesame seeds and other oil seeds, hides and skins, teak, gum dammar, lac and shellac, salt, bone meal, antimony ore, and other raw materials.

Rice Exports from Thailand

Thailand's rice exports for the calendar year 1949 totaled 1,215,853 metric tons, or nearly 50 percent above the 812,226 tons exported in 1948. Production of milled rice in Thailand in 1949 is officially estimated at 3,550,800 metric tons. Exports were about one-third of the total production.

India, Malaya, and Indonesia received over 58 percent of Thailand's rice exports in 1949. Ceylon, Japan, and China each received about 80,000 tons during the year. The remainder of Thailand's exports in 1949 went to 16 countries. Practically all exports from Thailand to China were made as part of the United States Relief Program. These shipments ceased in September 1949.

Rice exports from Thailand to European countries in 1949 totaled 72,794 tons. The United Kingdom and the Netherlands, the largest European importers, took a total of 49,500 tons. The Philippines imported 37,851 tons.

Twenty-four firms or agencies exported rice from Thailand in 1949. However, about 66 percent of the total shipments were handled by two firms and an additional 22 percent by two other organizations. The Commodity Credit Corporation (U. S. A.) purchased and shipped 77,000 tons to China or about 6 percent of the total. Thus five shippers handled 94 percent of all exports. Foreign currencies received by Thailand in 1949 for exported rice included 38,250,585 pounds sterling, 36,901,375 dollars, and 1,043,732 Swiss francs.

In making allocations for 1949, a target of 1,170,000 metric tons was decided upon. Actual allocated ship-

ments fell short of this target by only 16,947 tons. Shipments of all kinds of rice (including an estimated 500 tons of smuggled rice) outside allocations totaled 62,800 tons. Inasmuch as international allocation of rice was discontinued on January 1, 1950, one should not conclude that exports in 1950 will necessarily follow the country's distribution pattern of 1949.

Chinese Furs Imported into the United States from Soviet Russia

Shipments of furs of Chinese origin from Soviet Russia to the United States were valued at US\$385,113 in the period from December 30, 1949 to January 21, 1950, which represented 34.4 percent of the total of all goods of Chinese origin exported from the USSR to the United States in that time. This situation is similar to that attending increases in declared exports of Chinese hog bristles to the U.S. via the USSR (see our issue of April 6, page 456).

HONGKONG INDUSTRIAL CHEMICALS MARKET

The market remains in the doldrums and there is no feeling of optimism about an early change in the price situation. Dealers are losing and those who are not complaining about the slump are getting less and less.

Local demand is while relatively substantial of no effect on the import and dealers' position; only China off-take can rescue the trade from virtual collapse. Some exports to Taiwan and to South China, mainly Swatow, were effected during the current month but the total quantity was insufficient to stimulate the trade. Many chemicals have dropped in price below the post-war lows and even have, in some cases, touched 1941 low (not average) prices.

The market is unanimous in its verdict on the slump; since the end of world war II it wasn't worse. Sellers are still overanxious and rushing into the market without heed for losses but buyers are holding off and few can be induced these days to risk capital by laying in or increasing stocks even at record low prices. Only ready shipments or local consumption demand can bring about reduction in stocks and some new orders for cargo from abroad.

Godown space is at a premium and especially so for dangerous cargo; there are no prospects for an easier storage position even if the Canton govt and its various trade organisations manage to transport ordered and paid goods into Kwangtung.

(This inability on the part of the authorities in Canton to get the stuff into their country—stuff which they need and for which payment has been made some time ago—reflects badly on the vaunted efficiency of the new regime or otherwise it confirms the opinion held here that there is both effective KMT air and naval blockade preventing regular transport into South China and there is a lot of enthusiastic

though naive youngsters now in charge of Canton's commercial and other economic affairs).

In China the chemical markets are all depressed; there is little demand as industrial production is low and previously hoarded stocks, as a result of extreme money tightness, are unloaded, merchants being eager to clear out inventories and sit quietly rather than being exposed to severe taxation and unfair 'victory bonds subscription.' But the most important cause which has pulled down prices in China is the decline in over-all industrial production. There are many plans publicised for the revival of the chemical industry in China with emphasis on Manchuria as the centre for this as for so many other industries. So far the results of these plans are all in the field of political fantasy.

Not only do importers in China place few orders and at record low prices but shipments made to several ports in the North have recently been returned as no licences were obtained by Chinese importers. When such returned cargo arrives here the owners throw it on the market and accept any price offered, a development which has brought despair to the traders generally and which augurs badly for the stability of this market.

The only consolation one derives in the chemical market is the impression that other markets do not do well either. All eyes are glued to the political picture as it unfolds now in China; the failure of the new regime to inject new life into the half-dead body economic of the nation is now more than apparent.

Last fortnight's local market developments and quotations:—

Carbon black. This item is still controlled by export license system in USA, therefore its price in Hongkong did not drop as rapidly as others. Some interest was recorded. Getz brand 187.5 lb cases sold \$255 per case, whereas the ICI Fortress brand of the same packing sold between \$285 and \$295 per case. **Caustic soda solid.** At the end of March USA origin 700 lb drums sold in Shanghai at HK\$147 per drum but recently dropped about 17%. Here the market in USA origin 700 lb drums dropped from \$106 to \$94 per drum, and ICI Crescent brand 300 kg drums from \$123 down to \$105 per drum. The business recorded is rather big, however, the actual export demand is limited. If no export demand supports the market, it cannot be said that the decline will cease notwithstanding the present price being on the level or even below that of 1941. **Extract of quebracho.** Small business was established. Crown brand 105 lb bags sold \$78 per bag. Price is firm. It has been at standstill over half a year. **Extract of mimosa.** Many lots were sold. Price was \$55 per bag for the Elephant brand 1 cwt bags. Business for the past two weeks was unusually large. It has also been at standstill for over half a year. **Lactic acid.** Water white colour 12 x 6 lb bottles per case sold a few lots from \$3.10 \$3.60 per lb. It is much dearer than that of yellow

colour. **Bleaching powder 35%.** Local factories consumed a considerable quantity. ICI Red Heart brand 50 kg drums sold from \$21.50 to \$24.50 per drum according to quantity. English origin crossed straps on lids 1 cwt drums sold from \$20 to \$19 per drum. **Bleaching powder 70%.** Market steady. USA origin 130 lb drums sold from \$1.54 per lb down to \$1.52, and 100 lb drums sold \$1.35 only. With regard to Japanese origin 50 kg drums sold 95c. All business contracted was at rather big figures.

Sodium bichromate. Either Australian origin 560 lb metal drums or South African origin 500 lb drums was asked for 35c per lb. Although this price is cheaper than it was in 1941, yet no buyers. **Sulphur powder.** Market continued on the easy side. USA origin 100 lb or 50 kg paper bags sold from \$8.80 per picul down to \$8.20, however, some lots are directly sold to consumers as high as \$9. All the dealers lose over 60% as indent price was lowest \$21. **Vaseline.** Small business was recorded. It is consumed by local manufacturers only. USA origin snow white 400 lb drums sold 47c per lb. **Sodium bicarbonate.** Small quantity was sold first at \$36 per bag for the Crescent brand 100 kg bags and afterwards larger quantity was sold at \$32 only. It is exported to Taiwan. **Paraffin oil.** This item still provided a narrow margin of profit if exported to Shanghai. 51 gallon drums with somewhat fluorescent viscosity about 50/60 sold a few lots lowest \$186 and mostly around \$195 and \$197 per drum. This hydrocarbon oil sometimes is used for making toilet preparations and for lubricating purposes.

MBT. English Monsanto 224 lb metal drums sold \$1.35 per lb. Very little business was recorded. It is only consumed by local rubber factories. **Shellac.** It may be deemed to be the brightest feature in the paralyzed market. Large quantity was sold out. It was exported to Taiwan. Indian origin No. 1 quality superfine 164 lb cases sold between \$360 and \$365 per picul, and afterwards sold up to \$368. **Zinc oxide.** Only a few lots were sold. Price came down. Dutch origin 50 kg bags sold from 69c per lb down to 65c,

and afterwards 25 kg bags sold as low as 61½c. South African origin white seal 1 cwt bags sold 68c per lb first, and now it is about 63c only. **Paraffin wax.** Market became quiet. Price remained at standstill. AMP 128/135 100 kg machine sewn mouth burlap bags sold \$53.50 per picul whereas the AMP 143/150 nine slabs to one carton sold \$61.50 only. **Citric acid.** English origin 1 cwt plywood drums crystal form sold a few lots at \$1.40 per lb. Recently a fresh shipment arrived and as it is not so coarse as crystals and not so small as granular, there hangs a claim between importers and dealers. **Potassium chlorate.** Market dull with only small business contracted. USA origin 110 lb metal drums sold at 58c per lb. **Gum Arabic.** Small business, only local consumers were buying. Indian origin 100 kg bags at 59c per lb and ICI 100 kg bags at 68c. **Red amorphous phosphorus.** Price slid down rapidly. Several lots of Canadian make 110 lb cases were sold. Price came down from \$195 per case to \$166. **Cobalt oxide.** ICI Fortress brand 10 x 10 lb tins per case sold \$1100 per case, and the USA origin Vase brand of the same packing sold fifty dollars per case higher. **Talc powder.** Indian origin is recognised as the finest grade. Its 100 kg bags sold small lots at \$720 per metric ton.

Glacial acetic acid. More business was recorded. The price however came down prospect is considered unfavourable in the near future. Italian origin 25 kg carboys sold from 68c per lb down to 64c, and Dutch origin 45 lb carboys sold 73½c per lb but now is about 68c only. **Aniline oil.** Australian origin 448 lb drums is about 76c per lb. No buyers. **Potassium ferrocyanide.** USA origin crystal form is about 90c per lb. **Lithopone.** A certain lot of German make 50 kg bags sold 29c per lb. It is much below indent price. **Ammonium bicarbonate.** ICI 100 kg drums sold \$74 per drum. Exported to Swatow. **Soda ash.** ICI brand dense grade 90 kg bags sold \$28.50 per bag, and the USA origin dense grade 100 lb paper bags is about \$12.50 per bag. The future market in the coming two months is expected to be at standstill. **Formalin.** English origin 448 lb iron

drums sold small quantity at 32c per lb. Glycerine, Dutch origin 250 kg drums BP quality sold small lot at \$1.42 per lb, but the repacking in 56 lb tins from \$1.60 down to \$1.55 per lb, as packing included. Sodium cyanide. More demand from Siam. ICI 50 kg drums sold at 86c per lb. Rosin. WW grade 515 lb drums sold small lots at \$67 per picul whereas the East River origin about 200 catty sold \$43 picul only. Carbon tetrachloride. This material is used by laundries as solvent to remove dirt, and sometimes is also used in fire extinguishers. 560 lb metal drums is about \$1.35 per lb. Although some inquiries on the market, yet substantial business is not concluded.

HONGKONG COMMODITIES

Cotton Piece Goods & Cotton Yarn

As a result of the Chinese Spring Festival, which this year has synchronised with the Easter holidays, business was almost at a standstill on the Cotton Piece Goods market, the only demand coming from local dyeing factories for Indian 4712 grey sheetings supplies of which were not equal to requirements, only some 700 pieces being sold at \$40.80 per piece against a demand for 3000 pieces. Prices as a whole showed no change, with the exception of Elephant Head grey sheetings which improved to \$43.50 per piece.

Some business was done in Cotton Yarn although prices continued to show a downward tendency: Sree Meenakshi 20's sold for \$860 per bale, Girl with Vessel 20's fetched \$800, and Golden Double Elephant 20's \$960 per bale. Very heavy stocks prevent any increase in price. Rates at the close were: Bengal 10's rose to \$160 per bale in response to demands, Charkha 10's sold at \$605, Camel fell to \$840, Flying Elephant dropped to \$700, and Peacock 10's to \$610 per bale; Double Birds 20's rose to \$920, Double Happy 20's to \$1140, Golden Peak to \$1210, Lady on Horse to \$880, Six Pagodas to \$1100, and Tien Kuan to \$1100 per bale; otherwise a decline was noticeable, Golden City 20's being offered at \$1140, Golden Cow at \$840, Flying Elephant at \$1020, Camel at \$1180, Cockatoo at \$880, Bengal Lady at \$810 per bale.

Raw Cotton

Extreme quietness still reigned in the Raw Cotton market, little business being transacted: USA 1" was quoted at \$1.95 per lb., while 15/16" first quality dropped to \$1.90; Pakistan NT roller gin fell to \$1.85 per lb. and 4F roller gin to \$1.73, LSS roller gin stood at \$1.80, and 289F was offered at \$1.88 per lb. Rangoon cotton on the other hand rose to \$1.50 per lb. for the superfine quality, although first quality stood at \$1.40. Pakistan cotton waste rose to \$1.40 per lb.

Metals

The downward trend noticeable recently in the price of Galvanised Mild Steel Sheets was checked during the week, the price of Japanese G30 3' x 7' (thin) remaining steady at \$7.30 per piece and 3 x 6' at \$6.20, while Belgium 3 x 7' stood at \$7.30. The thick specification 3 x 7' (Japan) G24 stood at 49 cents, G26 at 54 cents and G28

at 58 cents; European origin G24 was offered forward at 45 cents and G26 at 54 cents. Mild Steel Plates steadied with dealers from Canton, Taiwan & Tientsin showing interest although prices tended to fall due to heavy stocks. Taiwan merchants shipped some 500 tons the greater part of which consisted of 1/8" to 3/8" plates: 4 x 8' 1/32" were offered at \$52 per picul, 1/16" and 3/32" at \$37.50, 1/8", 3/16" and 1/4" at \$29, 5/16" at \$34 per picul, and 3/8" at \$30 per picul; 4 x 5' 1/8", 3/16" and 1/4" went for \$28 and \$29 per picul, 5/16" for \$34 and \$35, 3/8" for \$30 while 1/2", 5/8" and 3/4" plates fell to \$28 per picul. French manufacturers of Mild Steel Bars have recently reduced their price by 1/- to £23 per ton, c.i.f. Hongkong, as however the local selling price is continuing to fall dealers are holding back from substantial forward bookings. Round Bars dropped further in some specifications but only a few sales were made; the latest quotations were 40 feet 1/4" and 5/16" \$32 per picul, 1/2" \$26, 3/4" \$28, 5/8", 3/4", 7/8" and 1" \$27, 1 1/4" and 1 1/2" \$30; however 20's—22" 2" to 3" rose to \$36 per picul and 1 1/4" to \$32. Flat Bars 1/4" thick 1/2" to 3/4" remained steady at \$35 per picul and some business was done at that figure; 1"—2", however, fell to \$34 per picul. The Galvanised Wire market was active with some support by buyers from China and prices on the whole remained steady: G6 stood at \$48 per picul, G8 fell to \$49, G10 and G12 remained at \$44, G13 at \$45, G14 at \$43, G15 at \$46, while G16 fell to \$46.50 per picul. There was some demand from Tientsin for Copper Wire, supplies of G8 were however short and only small purchases were made at \$200 per picul, G6 also being quoted at this figure; G12, G16 and G18 were offered at \$180 per picul, G20 at \$240 and G22 at \$250; G10 stood at \$205 per picul.

An effort was recently made by Japanese manufacturers of Rolled Brass Sheets to compete with the British product by lowering their prices, but little headway was made owing to the existing exchange and other difficulties as well as the high reputation the British product has earned. The market remained firm with interest shown by dealers from North China; British 12" G5 and G6 stood at \$260 per picul, G8, G9, G10 and G11 at \$190, and G12 and G14 at \$195 per picul.

Cement

There have been heavy arrivals recently of Japanese cement in the local market with the prospect of more to come, and the indent price has now been lowered to US\$13 per ton c.i.f. Hongkong. Prices ruling during the week were: Emeraldcrete Rapid Hardening (Green Island) 112 lb. bag \$8.20 (official price \$7.20), Emerald Brand (Green Island) 112 lb. bag \$7.20 (\$6.80), "Snowcem" Cement Paint (British) 112 lbs. net steel drum ex-godown \$58; Indochina Dragon brand 1 cwt. bag \$5.80, 94 lb. bag indent price ex-ship \$4.50, Japanese 100 lb. bag \$5.70 for spot, ex-godown \$115 per ton, and ex-ship forward \$105 per ton.

Polish 1 cwt. bag \$6.30 and ex-godown \$120 per ton. Danish Bate brand white cement rose to \$14 per 1 cwt. bag. Snowcrete British white cement stood at \$60 per drum of 375 lbs. nett (official price \$55) Snowcem cement paint (British) sold at the usual price of \$58 per 112 lbs. nett steel drum ex-godown.

Paper

Some declines were noticeable in the price of Newsprint, notwithstanding that South Korean and Taiwan buyers bought fair quantities; Half-bleached Parchment and MG Pure Sulphite were also in demand. Prices were: 31" 52 gr. newsprint in reel fell to 34 cents per lb., although 43" 50 gr. rose to 35 cents; Norwegian 52 gr. 31" fell to 34 1/2 cents; 24 x 36" coloured dropped to \$13.50 per ream, and 38 lbs. to \$15 per ream. Newsprint in sheets 50 lbs. 31 x 43" fell to \$18.50 per ream; Russian 45 lbs. 30 3/4" by 42" stood at \$17.20 per ream. M.G. Pure Sulphite 30 x 40" was offered at \$13.50 per ream. MG. Kraft 30 lbs. stood at \$16 per ream. Half-bleached Parchment 30 x 40" 26 lbs. sold at the higher price of \$24.50 per ream, and the 24 lb. quality at \$22; Czechoslovakian 30 x 40" 23lbs. fell, however, to \$19.60; 20 x 30" Parchment fetched an increased price of \$14 per ream. Cellophane Paper showed a fall in several qualities, British 36 x 39" was offered at \$74.50 a ream and the Belgian & French at \$68.

Rubber

The local rubber market remained dull. Stocks are falling and as a result dealers when handling various inquiries were able to improve prices, although only to a slight extent; some dealers were considering the possibility of shipping part of their goods back to Singapore where the price quoted for some qualities was higher than in the local market. North China dealers, who now constitute the main buyers from Hongkong, showed no interest. Closing prices were: Smoked Rubber Sheets No. 1 \$132 per picul, No. 2 \$128, No. 3 \$125, No. 4 \$122 per picul; Sole Crepe Rubber, No. 1 \$275 per picul, No. 2 \$260; Pale Crepe No. 1 \$170 per picul, and No. 2 \$155. Pale Crepe Ends retained their former price of \$155 per picul.

Vegetable Oils, Ores, and Other China Produce

Vegetable Oils: Business was practically stagnant in Tungoil (Woodoil), prospective buyers preferring to wait until the Spring Festival holidays were over and being unwilling to accept the price of \$182 per picul which sellers were asking following information of an increase in Canton. Various factors are operating to keep prices down on the local market, one of the most important being that many European and Australian purchasers are now placing orders direct through their agents in Tientsin, thus eliminating Hongkong; Japanese demands also have fallen off, following recent heavy purchases; and further a shipment has arrived from Canton where supplies are substantial, adding to the large stock already held in Hongkong. However some trans-

actions took place at the increased forward rate of \$180 for delivery in 10 days, although later counter-offers were at \$178.50 per picul for 2 weeks forward. Deliveries of **Teaseed Oil** were also received from Canton but the local market remained dull and little business was done either at the spot price of \$156 per picul for 4% acid or at \$155 for 5 days forward. Arrivals of late have been fewer compared with previous weeks, very little coming by way of Macao, but it is anticipated that larger quantities will be arriving shortly.

With continual arrivals of **Groundnut Oil**, the decline in prices continued. Forward offers of groundnut oil from Thailand due to arrive this month found few buyers interested, and these only offered \$147 per picul as against the earlier quotation of \$152. The forward price of Tsingtao groundnut oil dropped to \$124 per picul while 1st quality fell to \$126. Bombay groundnut oil, on the other hand, rose to \$145 per picul, although stocks of this com-

modity are sufficiently low to warrant a better rate. Dairen 1 q. in drums, fell to \$126 per picul, Tientsin drums 1 q. fetched \$123, Suitung, Kwangtung, 1 q. in drums fetched \$148 per picul.

Ores: Control by the People's Govt. over the export of mineral ores from China has resulted in short supplies in Hongkong. Small quantities are smuggled in, but these do not suffice to meet requirements and in some cases merchants are unable to fill requirements from abroad. This applies in particular to **Tungsten (Wolfram) Ore**, stocks of which are now so short while the demand from abroad is increasing that dealers are not interested in entering upon transactions at the prevailing low prices; for 65% quality, for instance, sellers will not take less than \$280 per picul which is higher than purchasers abroad are willing to give. Prices at the close were: China Tungsten 65 deg. \$280 per picul, 80% of 65 deg. \$224; South Korean standard quality \$275 per picul. **Antimony** became more active during the week, dealers taking

up increased supplies from China in the expectation of demands from abroad. The price of 99% Antimony rose on some transactions to \$180 per picul and a few purchases were also made at \$190. **Pig Lead** was dull with decreased demands from abroad and was offered at the low rate of \$90/\$92 per picul for the 99% quality for export. Expected orders from Germany for China **Chromium Ore** have failed to materialise this year, and dealers find themselves with stocks on hand amounting to around 1000 tons. In order to attract buyers the selling price was been cut to \$120 per picul, but only local transactions took place. **Molybdenum** also dropped to \$170 per picul through lack of demand from abroad. The **Tin Ingots** market on the other hand showed greater activity; Taiwan dealers were in the market, and the price of Yunnan 99% improved to \$580 per picul. Other prices showed no alteration: Hoyuen, Kwangsi, 99% fetched \$575 per picul, Marked Banker (Singapore) 99.75% stood at \$590;

AVIATION REPORTS

Hongkong Aviation Returns

Possibly the most striking feature of the aviation returns for March is the increase in the quantity of mail carried by plane which last month amounted to 24,583 kgs., exceeding the total figures for January and February of 22,942 kgs. and 20,427 kgs. respectively. Freight in and out showed an equally

China Tin 60% sold at \$350 per picul, 50% for soldering at \$300 and 40% at \$270 per picul.

Other China Produce: Some activity was manifested in Ramie, with buyers purchasing the Szechuan product at the increased price of \$216 per picul for export purposes; West River ramie fibres were offered at \$220 per picul. Flax, which has arrived in the Colony in fair quantities, stood firm at \$230 per picul. Demands for Hankow Gallnuts for export caused an improvement in prices, 1 q. rising to \$117 and 2 q. to \$114 per picul, stocks being low; Szechuan gallnuts rose to \$115 and the Luichow product to \$113, the Korean standing at \$105 per picul. Rosin was weak as a result of the arrival of supplies from France and the USA; the East River product was quoted at \$45, but later improved to \$47 per picul. The demand for Lime Cubes weakened, and with supplies arriving from Macao the price fell, at one time touching \$37 per picul although later it was quoted at \$40 per picul. Little business was done in Feathers, the price of which fell with substantial arrivals. West German buyers were out of the market having filled their requirements and US buyers also held off. Duck feathers 85% stood at \$420 per picul and Goose feathers 85% were offered at \$500; Indochina duck feathers 1 q. were offered at \$300 per picul and 2 q. at \$240; Thailand duck feathers stood at \$360 per picul for 1 q. and \$305 for 2 q. Eggs are proving a disappointment to dealers, who are incurring losses on shipments from North China. Merchants are required to surrender exchange at the port of exit based upon the rate of HK\$65, and although this is a lower figure than that ruling a week or so ago, when combined with freight and other charges no profit can be made at the local selling price of \$73 per 700 eggs. Hen eggs from Canton remained steady in price at \$10.50 per 100 and duck eggs from Canton sold at \$13 per 100, the larger size fetching 17.50 per 100. Swabue duck eggs sold for \$14 per 100.

A general decline was registered during the week for China Tea due to heavy arrivals and a lack of interest on the part of European and African buyers. Arrivals from Taiwan were also substantial and as the tea season will shortly be in full swing, further declines are forecast: Paochung 1 q. was quoted at \$480 per picul and 2 q. at \$400, BOP tea was listed at \$300 per picul and OP tea at \$265 per picul.

interesting increase, the total amount being 107.1 metric tons as compared with 102.5 tons for January and 95.8 tons for February. Passengers entering and leaving the airport totalled 7,109 as against 7,163 in January and 5,538 in February.

Pan American World Airway (PAA)

The interest taken by the public in air travel is indicated in figures published by PAA, which show that during 1949 a total of 1,592 passengers made the trip round the world, or over a hundred a month. The journey, some 21,000 miles, can now be made in 4 days, 23 hours and 52 minutes, as a result of the careful working out of regular schedules. Currency devaluations along the route have made it possible for PAA to reduce the round-the-world fare from US\$1,700 to \$1,600.

Cathay Pacific Airways (CPA)

British North Borneo and Sarawak are now linked to Hongkong by air via Manila through a service run by CPA. The plane leaves Hongkong on Monday for Jesselton and Kuching. The fares are HK\$600 to Jesselton and \$750 to Kuching, or \$1,500 for the round trip.

Civil Aviation in China

Preparations for resumed operations of civil air transport planes have been made ever since the CNAC and CATC general managers and the majority of the technical and business staff 'defected' from the Taipei to the Peking gov't (a development which was believed inevitable after Canton's fall and the subsequent ousting of the KMT gov't from Chungking, and which was paralleled by other state owned organisations like the official banks and the Natural Resources Commission in Hongkong). Delays were experienced not so much on account of the threat by the KMT loyal CAF to intercept any CNAC and CATC planes, either if leaving Hongkong for China or flying inside China, but as a result of insufficient numbers of flying, maintenance and other technical personnel; furthermore, the reliability of the 'defectionists' was questioned in Peking and indoctrination courses were first to be conducted. While preparations were pushed the military situation turned out to be different from what it had seemed at the end of 1949; the resistance potential of the KMT increased and at the same time economic difficulties of the Peking gov't mounted. Flying of scheduled services had to be postponed which decision was also partly influenced by the continued 'freezing' of the 71 CNAC and CATC craft in Hongkong.

At present the position in Hongkong remains unchanged, the Chinese gov't owned planes cannot be moved before the final decision of the Court is handed down (which however is expected to be made soon) but engines and parts have meanwhile been shipped out of the Colony and should have by now reached North China. The issue of the locally impounded CNAC and

CATC planes has aroused much publicity in London and Washington and the local Court as well as Gov't here were severely criticised by certain sections of US public opinion (not to mention the more hostile Republican senators) but the situation has not been changed and it is most likely that the Chinese aircraft will soon, if serviceable, return to China and take part in the ordinary flight schedules there.

Although recently a considerable number of Chinese personnel of the two aviation companies have changed their idea about the 'liberation' aspect of the communist regime, they will have no alternative—with few exceptions—but to serve in China and at such salaries as the People's Gov't can and will pay. There has been a noticeable change in political sentiment here and inside China—earlier anticipations of more stable conditions under the 'red' rulers have given way to disappointment and the particularly hostile attitude assumed by the Cantonese vis-a-vis the new masters has had its sobering effect also on the staff of the aviation companies here. The success of the various indoctrination courses has been anything but encouraging for the communists and their distrust in the reliability of the CNAC and CATC staff has accordingly increased. Not very harmonious working conditions for the new and old staff can be predicted and it is this apprehension which makes many local employees of the two air lines, after previous head-over-heels loyalty shmoos, very wary about returning to China. Those who can find employment locally or go overseas are envied by the rest. The hard core of fanatics is getting smaller and if the 'rot' is not brought to a halt the Peking gov't will find a very undesirable (from their point of view) lot of people in Hongkong whose employment may better be dispensed with.

Most of the well-trained Chinese pilots have shown no eagerness to go to China; these people obtained good training in the US and Canada during the war years and they have seen a good time since the end of war when they joined the two air lines where very high remuneration was paid. If these pilots have a chance to make a living elsewhere they will not take up jobs in the reformed CNAC and CATC. It is fully realised that under present political conditions—which may not change for a long time, at least not until another war—the Russians must assume ever more leading positions in China especially in aviation and those Chinese who will have finished their courses in the USSR or in China under Russian instructors should secure higher jobs in the civil aviation industry of China. Conversely, American trained Chinese aviation personnel may have less favorable chances and any amount of reeducation will not make up for the 'bad start' these people got in life during the last world war. Already there are large numbers of Russian trained pilots and aviation mechanics in the service of the Chinese gov't

Hongkong Aviation Returns

for March 1950

	CIVIL AIRCRAFT		PASSENGERS		MAIL (Kilograms)		FREIGHT (Kilograms)	
	Arrivals	Departures	In	Out	In	Out	In	Out
Monthly averages for 1948	595.3	—	9,591.7	9,381.6	13,726¼	13,649¼	42,920	100,985.58
Monthly averages for 1949	1,061.6	1,057.5	12,245.8	13,312.4	13,842	14,576	237,690	272,656
1950:								
January	253	250	3,151	4,012	11,196	11,746	43,350	59,200
February	197	203	2,604	2,934	9,761	10,666	35,942	59,869
March	256	250	3,290	3,819	11,310	13,273	43,941	63,164

Total aircraft for Jan.-Mar. 1950 in and out: 1,411; total passengers: 19,810; total mail: 67,952 kgs., total freight: 305.4 metric tons.

Hongkong Shipping Returns

For the first quarter of 1950.

	Ocean Steamers Tonnage		River Steamers Tonnage		Ocean Passengers		River Passengers	
	In	Out	In	Out	In	Out	In	Out
Monthly averages 1948	659,582	651,394	122,834	123,338	23,583	19,547	37,529	29,769
1949	824,239	828,696	163,345	168,147	21,952	21,564	48,496	52,620
1950:								
January	831,555	788,243	218,465	215,032	8,247	10,484	50,567	47,990
February	718,120	754,561	195,137	195,883	6,291	8,570	38,690	44,919
March	775,341	776,536	237,532	238,504	74,089	16,408	66,125	50,015
1950: Jan./March	2,325,016	2,319,340	651,134	649,420	88,627	35,462	155,382	142,924

Total ocean steamer tonnage for the first quarter of 1950: 4,644,356; total river tonnage: 1,300,554; grand total: 5,944,910.

Total ocean passengers: 124,089; total river passengers: 298,306; grand total: 422,395.

Detailed statistics for March will be published in our next issue of April 20.

(both for military and civil transport use which, at present, is however under central authority of the air force headquarters) and new trainees are entering Russian classes in more than adequate numbers.

Soviet-China Aviation Cooperation

The Soviet-China civil aviation agreement (signed in Moscow on March 27) which followed the Pact of Alliance of February 14 is one of the several agreements which were drafted while Mao Tze-tung negotiated with the Soviet govt during his two months stay in the USSR. That there were some secret clauses to the Pact and that the two governments were negotiating on more vital matters than were subsequently revealed in the published next of the Pact has been taken for granted both by the Chinese public and abroad. The aviation agreement is one of vital importance to China and may have been entered into upon the urgings of the Peking govt who, without any foreign backing, must rely on Russian assistance.

The agreement provides for the establishment of a Sino-Soviet joint stock corporation (a system developed by the USSR in cooperative schemes elsewhere in the world of communist states) with each country holding 50% of the capital, the chairman of the board being for the first 2 years a Chinese and in the following 2 years a Russian with subsequent 2-year rotation, the managing director however to be a Russian who will employ all personnel; the agreement is to expire after 10 years but can be extended for similar periods (the probability being that Russian-Chinese

cooperation in aviation as in other fields will continue as long as political cooperation remains unchanged).

The first scheduled air routes to be serviced by the new corporation will connect Peking with Chita, Irkutsk and Alma Ata in Siberia with intermediate stops in northern and northwestern China. Future extension of air routes is now under study. China is now connected with Russia by Russian built, serviced and manned transport planes (some Chinese co-pilots and wireless operators also finding employment while ground crews are mainly Chinese) which connection is to be brought up to one daily inward and outward flight in addition to unscheduled connections.

Passengers will, for the time being, comprise officials of both governments with Russians alighting in Peking being in excess of Russians and Chinese going to the USSR. In addition to the civil aircraft which is now flying into Peking and other North China airfields unscheduled flights of Russian craft continue for the time being. There is much secrecy observed as to the daily arrival and departure of aircraft at Peking. Russian military transport planes have been arriving in increasing numbers carrying Russian civilians and also military personnel most of whom have been ordered to take up jobs as advisors in Chinese offices and factories.

Hongkong Aviation Report for March 1950

	ARRIVALS			DEPARTURES		
	Passen- gers	Mail (Kgs.)	Freight (Kgs.)	Passen- gers	Mail (Kgs.)	Freight (Kgs.)
United Kingdom	84	5,091	4,976	120	4,917	4,516
Europe	34	342	3,381	65	39	259
Middle East	31	364	640	36	495	1,003
Calcutta	57	179	327	59	164	1,827
Rangoon	24	53	11	36	116	1,228
Singapore	180	1,232	2,173	185	1,762	8,361
Bangkok	386	1,497	4,580	586	241	11,388
French-Indochina ..	627	408	1,479	559	276	499
Macao	28	—	—	45	—	11
Philippines	1,146	347	10,315	932	807	5,124
Japan	270	207	8,556	286	871	2,726
U.S.A.	2	—	5,632	157	1,874	2,881
Australia	19	89	837	39	119	141
China	384	1,411	565	557	1,114	22,922
Honolulu	9	—	63	42	59	74
Canada	9	90	406	115	419	204
Total	3,290	11,310	43,941	3,819	13,273	63,164

No. of arriving aircraft: 256

No. of departing aircraft: 250

Hongkong's Imports & Exports in 1949 of Wheat Flour, China Tea, Soya Bean, Eggs in Shell

WHEAT FLOUR

Hongkong's total imports and exports of meal and flour of wheat, spelt and meslin for 1949 amounted to 1,967,726 piculs valued at \$90,956,704; imports totalled 1,182,448 piculs at \$52.43 million, and exports were 785,277 piculs to the value of \$38.53 m.

Canada supplied 37.9% of the imports or 447,092 piculs (\$20.05 million), Australia coming second with 440,861 piculs (\$19.15 m.) and the USA third with 294,486 piculs (\$13.22 m.).

Exports went to South China (218,422 piculs at \$11 m.) and Macao (238,362 piculs at \$10.97 m.), which took between them 58% of the quantity exported or 456,784 piculs at \$21,975,780; Central China came next with 286,810 piculs at \$14.34 m.

Meal and Flour of Wheat, Spelt and Meslin

	Piculs	Imports \$
Canada	447,092	20,054,119
Australia	440,861	19,155,710
U. S. A.	294,486	13,219,950
Macao	9	378
Total	1,182,448	52,430,157

	Piculs	Exports \$
Central China	298,810	14,336,232
Macao	238,362	10,973,626
South China	218,422	11,002,154
Thailand	21,726	1,181,499
North China	7,990	362,350
Indochina	5,556	321,766
Indonesia	4,550	224,864
Malaya	1,090	52,609
Burma	393	18,663
South Korea	149	7,627
Br. Emp., other	75	3,700
Japan	3	147
Philippines	2	110
Other Countries	750	39,200
Total	785,277	38,526,547

	Monthly Imports Piculs	Monthly Imports \$	Monthly Exports Piculs	Monthly Exports \$
Jan.	38,238	1,751,406	27,526	1,421,050
Feb.	74,745	3,498,414	31,014	1,493,146
March	55,532	2,587,356	28,662	1,421,227
April	56,601	2,348,075	26,397	1,286,244
May	117,621	5,071,655	32,212	1,807,066
June	8,513	344,532	33,478	1,696,184
July	22,261	1,138,746	62,371	3,261,179
Aug.	144,442	6,562,636	94,103	5,121,564
Sept.	170,239	7,728,427	108,372	5,157,662
Oct.	100,982	4,205,987	75,827	3,534,122
Nov.	224,405	9,508,405	140,161	6,739,399
Dec.	170,869	7,684,518	119,154	5,587,684
Total	1,182,448	52,430,157	785,277	38,526,547

CHINA TEA

Hongkong's trade in China tea during 1949 showed a total of 20,991,496 lbs. in amount of \$29,929,333. Imports amounted to 11,391,949 lbs. (\$12.49 million) and exports to 9,599,547 lbs. (\$17.43 m.). Imports showed an excess over exports of 1,792,402 lbs. in quantity but were lower than exports as far as value was concerned by \$4,937,947. All exports of China tea from the mainland are handled by a government subsidiary trading corporation.

Of the imports into Hongkong of China tea over 70% came last year from Central China or 8,044,867 lbs. (\$9.04 million); from South China came 3,119,969 lbs. (\$3.1 m.).

To the USA went 14% of the exports or 1,395,235 lbs. (\$2.64 m.), with the United Kingdom and France second and third with 833,336 lbs. (\$1.34 m.) and 662,332 lbs. (\$1.25 m.) respectively.

China Tea

	Imports lbs.	Imports \$
Central China	8,044,867	9,042,880
South China	3,119,969	3,107,189
Macao	78,324	121,722
Indochina	68,055	97,760
Siam	58,832	83,040
North China	20,569	41,602
North Borneo	1,333	1,500
Total	11,391,949	12,495,693

	Exports lbs.	Exports \$
U. S. A.	1,395,235	2,641,241
United Kingdom	833,336	1,341,251
France	662,332	1,247,828
Holland	469,958	768,327
South America	455,671	554,739
Malaya	430,449	539,104
Indochina	392,327	508,395
Australia	359,603	588,467
Macao	188,755	311,199
Canada	164,665	391,258
Iran	155,390	168,994
Philippines	142,434	146,270
Siam	120,289	117,244
Egypt	111,170	122,480
Pakistan	83,400	169,590
British Emp., other	78,977	86,245
Belgium	56,453	111,625
North China	55,484	63,240
New Zealand	53,224	100,865
West Africa	42,303	18,779
India	32,044	16,422
Cuba	28,739	39,630
Central America	25,548	54,188
North Borneo	20,839	27,999
South Africa	17,484	32,261
Denmark	16,532	42,180
Burma	15,276	16,360
West Indies	10,833	30,210
El Hara	10,010	10,000
East Africa	9,260	10,650
Switzerland	5,880	12,364
Portugal	4,650	5,754
Sweden	3,701	18,341
Central China	3,276	5,967
Norway	2,992	4,263
Indonesia	1,456	1,606
Germany	1,374	1,322
South China	842	963
Port. E. Africa	628	1,880
North Korea	65	500
Japan	2	10
Other countries	3,136,121	7,103,128
Total	9,599,547	17,433,640

	Monthly Imports lbs.	Monthly Imports \$	Monthly Exports lbs.	Monthly Exports \$
Jan.	557,963	530,334	640,029	940,530
Feb.	307,282	274,261	542,680	715,322
March	729,404	576,156	435,705	594,545
April	980,748	836,005	394,211	567,142
May	943,917	860,066	869,840	1,200,898
June	1,062,178	1,132,783	607,073	718,722
July	896,007	984,122	1,011,031	1,450,025
Aug.	835,021	944,300	927,065	1,722,079
Sept.	816,747	798,172	792,034	1,460,936
Oct.	1,364,175	1,532,735	824,517	1,772,049
Nov.	1,057,257	1,558,097	1,210,175	2,883,315
Dec.	1,841,249	2,468,662	1,345,197	3,408,073
Total	11,391,949	12,495,693	9,599,547	17,433,640

Hongkong Airport: Traffic of Regular Users in March 1950

	Arrivals				Departures			
	No. of A/C	Passen- gers	Mail (Kgs)	Freight (Kgs)	No. of A/C	Passen- gers	Mail (Kgs)	Freight (Kgs)
B.O.A.C.	22	345	7834	14061	20	365	7365	13620
H.K. AIRWAYS ..	24	207	543	549	24	270	875	20544
P.A.A.	37	629	18	8526	35	742	NIL	4285
C.P.A.	43	519	669	8245	42	632	1289	6926
P.A.L.	18	742	234	6690	19	564	2483	4336
P.O.A.S.	9	57	141	1090	10	121	106	7271
T.A.A.	2	2	—	—	—	—	—	—
S.A.F.E.	2	16	361	2394	2	20	—	1915
AIR FRANCE	13	478	400	1110	13	438	388	651
S.A.C.	4	41	63	3	4	44	—	1118
MATCO	7	41	—	—	7	51	12	52
C.P.A.L.	5	43	90	420	5	152	419	226
QANTAS	3	19	89	837	3	39	119	141

SOYA BEAN

Soya bean imported into and exported from Hongkong in the course of 1949 came to a total of 1,058,519 piculs valued at \$39,829,947. Imports 503,531 piculs (\$19.87 m.) exceeded exports 544,988 piculs (\$19.96 m.). Exports exceeded imports by 51,457 piculs (\$83,159).

North China provided 380,618 piculs (\$15.53 m. or 75.6% of the imports, North Korea coming next with 110,650 piculs (\$3.95 m.).

Of the exports from Hongkong, Japan took 79.6% or 441,164 piculs (\$15.96 m.).

Soya Bean		Imports	
	Piculs	\$	
North China	380,618	15,530,685	
North Korea	110,650	3,947,646	
South China	11,807	381,836	
Indochina	330	9,477	
Macao	126	3,750	
Total	503,531	19,873,394	
		Exports	
	Piculs	\$	
Japan	441,164	15,960,282	
Norway	38,640	1,209,600	
United Kingdom	33,436	1,048,817	
Macao	27,591	1,069,893	
Central China	8,166	409,519	
Malaya	5,711	245,963	
Philippines	246	11,000	
Br. Emp., other	18	702	
U. S. A.	11	469	
Canada	2	186	
Cuba	2	64	
C. America	1	58	
Total	554,988	19,956,553	

Monthly Piculs	Imports \$	Monthly Piculs	Exports \$
899	16,815	22,022	786,564
nil	nil	28,218	933,644
52,080	1,840,000	25,587	1,418,136
17,365	560,017	110,747	3,371,885
40,656	1,210,000	49,805	1,328,948
3,690	109,477	39,587	1,423,048
85,133	2,704,500	79,769	2,805,176
25,575	930,000	71,822	2,593,609
59,645	2,325,555	37,812	1,556,786
62,823	2,421,320	9,358	386,563
23,364	981,363	2,488	113,895
132,301	6,774,347	57,773	3,238,096
503,531	19,873,394	554,988	19,956,553

EGGS

During 1949 Hongkong's trade in eggs amounted to 2,661,846 gross to the value of \$49,460,761; imports came to 1,690,217 gross at \$29,110,745 and exports to 971,629 gross at \$20,350,026,—an excess in imports of 718,588 gross valued at \$8,760,709.

The bulk of the egg importations or 70.8% came from South China 704,915 gross (\$10.5 million) and Macao 491,501 gross (\$9.36 m.) with a combined total of 1,196,416 gross (\$19,872,138); from Central China came 242,694 gross (\$3.94 m.), and from North China 207,747 gross (\$4.05 m.), while Australian shipments amounted to 42,426 gross (\$1.2 m.).

Exports of fresh eggs went chiefly to the Philippines which took 814,472 gross (\$16.87 m.) or 83.8% of the total, Malaya (Br.) came next with 125,108 gross (\$2.33 m.).

The trade in eggs is controlled by the China Egg Products Corporation, established by the Communist Govt. at Tientsin.

Eggs in Shell

	Gross	Imports
		\$
South China	704,915	10,507,709
Macao	491,501	9,364,429
Central China	242,694	3,943,864
North China	207,747	4,051,194
Australia	42,426	1,230,150
Malaya	597	7,080
North Korea	312	4,500
Canada	22	1,734
U. S. A.	3	75
Total	1,690,217	29,110,735

	Exports
	Gross
	\$
Philippines	814,472
Malaya	125,108
U. S. A.	16,512
Macao	11,151
North Borneo	1,438
Canada	1,319
Switzerland	923
Central America	238
Central China	160
Australia	124
Burma	96
Br. Emp., other	22
New Zealand	19
India	14
Cuba	6
West Indies	4
Indonesia	3
South America	1
Other countries	19
Total	971,629

Published and edited by ERIC E. HALPERN for and on behalf of The Far Eastern Economic Review Ltd., at 322, Queen's Building, Victoria, Hongkong.—Telephone: 32429, Cables: Ficom.

The Far Eastern Economic Review is published weekly, and printed by the Newspaper Enterprise Ltd., Windsor House, Hongkong.

Annual Subscription Rates

Hongkong	HK\$ 50	United Kingdom and British Commonwealth	£ 4
China	,, 70	U. S. A.	US\$ 11½
Philippines	P. 23	Singapore & Malaya	M\$ 30

Air Mail Subscriptions for U.K. and European Continent £ 5

Agents of the Far Eastern Economic Review in China (Shanghai, Tientsin, Canton), Macao, Singapore & Malaya (Messrs Kelly & Walsh), Japan (Douglas M. Kenrick & Associates), Thailand (A. Lyman), U.S.A. (P.D. & Ione Perkins), Australia & New Zealand. London Office of the Far Eastern Economic Review: Arthur H. Wheeler & Co. Ltd., St. Stephen's House, Victoria Embankment, S.W. 1, Cables: Brookleigh, London; Tel. ABBey 6470.

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